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Canada's Export Development Plan for  
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# Canada's Export Development Plan for Saudi Arabia

February 1984



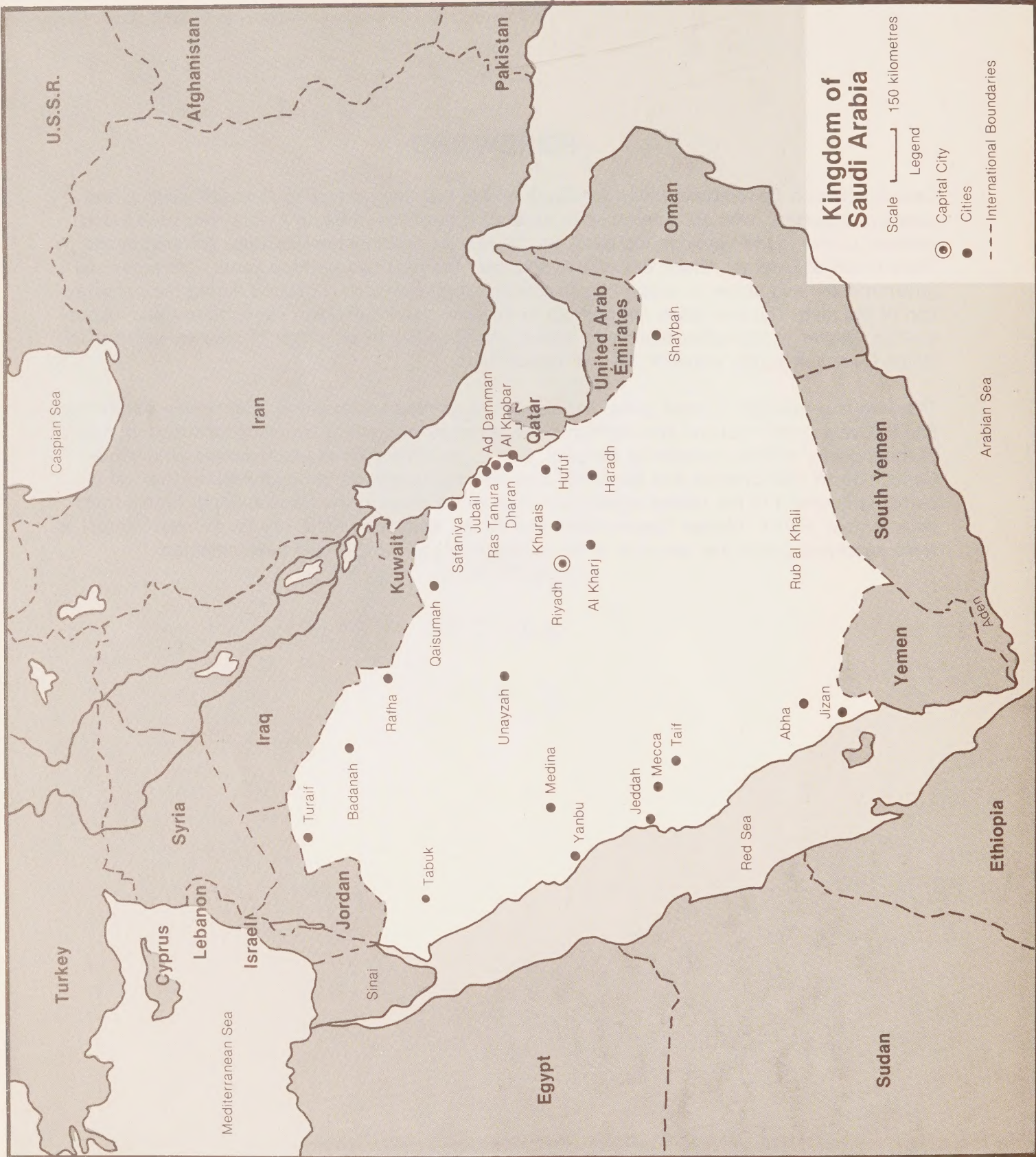


## FOREWORD

Canada's Export Development Plan for Saudi Arabia has been prepared to assist existing and potential exporters, who are interested in expanding business in Saudi Arabia. The review and analysis of this market provide the basis for the market development activities planned by the Department of External Affairs in Saudi Arabia over the next two to three years. The provincial governments, also active in supporting Canadian exporters, were consulted during the preparation of the plan. The plan does not attempt to cover in detail Canadian interests or Saudi opportunities. Rather, it highlights significant market opportunities in a number of industry sectors, in which Canadian supply capability is well established.

The plan is presented in three parts. The *Executive Summary* provides a brief review of Canada-Saudi Arabia trade relations and highlights the principal market opportunities identified in each of the industry sectors included in the plan. *Part I*, the *Market Overview* focusses on bilateral Canada-Saudi relationships and economic and political conditions in Saudi Arabia. This will be particularly useful to the reader seeking a broad introduction to the Canada-Saudi Arabia trade environment. *Part II*, *Market Opportunities and Sector Marketing Plans* will be of most interest to firms supplying goods and services in the industry sectors which have been selected.





# Kingdom of Saudi Arabia

Scale 150 kilometres

Legend

- Capital City
- Cities
- International Boundaries



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## EXECUTIVE SUMMARY

### Objective

The major theme of a *Canadian Export Strategy for the 1980s*, approved by the Cabinet Committee on Economic Development, is the need to select priority markets carefully, while providing a greater focus and co-ordination of Canada's export marketing efforts. The government reaffirms the primary and crucial role of the private sector and the need to co-operate with Canadian firms and the provincial governments to achieve a greater Canadian share of the Saudi market.

Saudi Arabia, with its large requirements for equipment, technology and raw materials, offers interesting trade prospects for Canadian industry. Although success stories have increased the awareness of opportunities in Saudi Arabia, Canadian products, accounting for barely one per cent of Saudi imports which totalled US\$40 billion in 1982, have not had an important place in the Kingdom. The trade relationship between Saudi Arabia and Canada has been growing rapidly, however. Two-way trade increased from \$821 million in 1977 to \$2.73 billion in 1981, attests to the potential for expanded Canada-attributable to large Canadian oil imports from Saudi Arabia, the fourfold rise in Canadian exports during this period, from \$109 million in 1977 to \$455 million in 1981 attests to the potential for expanded Canadian sales. Despite an economic downturn in the Middle East due to decreased oil earnings, Canadian exports to Saudi Arabia stayed at \$442 million for 1982 while imports from Saudi Arabia fell by 68 per cent. Significantly, Canadian exports to Saudi Arabia, other than automobiles, increased by 20 per cent in 1982.

To capitalize on the range of export opportunities in Saudi Arabia, greater focus on the most promising sectors of the market is required. In order to provide an impetus to this process, this document seeks to:

- i) guide the action and resource allocation of the federal government to provide an effective program of assistance to exporters and to foster an environment conducive to Canadian export development in Saudi Arabia;
- ii) set out a marketing plan designed to take advantage of the market potential and to overcome the constraints facing Canadian exports to Saudi Arabia;
- iii) identify opportunities for export concentration and stimulate and assist the private sector in pursuing them; and
- iv) provide a focal point for co-ordinating the marketing efforts of the federal and provincial governments in support of the private sector's efforts.

### Canadian Trade Development Efforts to Date

Canada established diplomatic relations with the Kingdom of Saudi Arabia in 1973 and opened an Embassy in Jeddah in 1974. One of the first major

Canadian successes in the trade relationship was achieved in 1978, when Bell Canada secured a five-year management contract worth \$1.2 billion to establish a modern, efficient telecommunications network in the Kingdom. Aside from increasing commercial activity, the relationship has been characterized by a number of high-level visits. Prime Minister Trudeau travelled to Saudi Arabia in 1980; Trade Minister Ed Lumley visited in April 1981; and Energy Minister Marc Lalonde was in the Kingdom in January 1982. Most recently, the Honourable Gerald Regan, Minister for International Trade, led a mission to Saudi Arabia in January 1983. Equally important to the bilateral relationship have been visits to Canada by Saudi Arabian government ministers, including the Ministers of Petroleum and Minerals, Industry and Electricity, Commerce, and Post Telegraph and Telephones.

There has also been a range of useful provincial missions to the Kingdom, primarily from Ontario and Québec, but also including British Columbia, Alberta and a number of specifically directed federal missions in fisheries, food products, railways, computer technology, automotive parts, industrial controls and oil field equipment and services. Successful efforts have been made to increase Canadian participation in trade exhibitions by establishing federal and provincial information booths at important shows. These events have served to both emphasize to Saudi Arabia the importance that Canada places on it as a trading partner and to expose the Saudis to Canadian products and expertise. There is a Joint Economic Commission (JEC) that serves as an umbrella agreement for technical exchanges. The JEC has met in 1976, 1978 and 1980, and serves as an overview mechanism to focus Canadian expertise on Saudi priority projects in such fields as telecommunications, transportation and education.

Although relatively small in comparison to total Saudi purchases, Canadian exports to the country, totalling \$442 million in 1982, are an important element of Canadian trade. Moreover, professional services provided by Canadians to the United Kingdom are substantial and their value is approaching that of commodity exports. There are some 4,000 Canadian residents in Saudi Arabia. Although approximately 1,500 of these Canadians are working on the Bell Canada project, a substantial number are active in other technical areas. SNC is seeking an extension to its consulting supervisory contract for a \$1 billion rural electrification scheme in the Qassim region. Watts, Griffis and McQuat has an ongoing consultancy relationship with the Minerals Directorate of the Petroleum Ministry and Cansult has been engaged for many years in municipal consulting and contracting in the Kingdom. Numerous other Canadian firms are actively engaged in joint ventures or other consultancy roles that add to the Canadian presence in Saudi Arabia.

Saudi Arabia enjoys a high level of entrepreneurial skills in its population. A focus of the government's current national five-year development plan is to



upgrade technical and managerial skills. To this end, the Saudis attach considerable importance to the training of their people at overseas institutions, including Canada, at the undergraduate and post graduate levels. Canadian medical and scientific expertise is highly regarded and substantial potential exists to increase the numbers of students from Saudi Arabia in Canada to the mutual benefit of our future relationship.

There is a strong thrust in the Kingdom to involve Saudi nationals in joint ventures, agency arrangements and technical service contracts in order to build up the domestic pool of experience and skills needed for Saudi Arabia's economic development. Some Canadian firms have found it profitable to enter into joint-venture arrangements with Saudi partners — the Saudi partner providing capital and contacts and the Canadian partner providing technical expertise, equipment and management. While care has been necessary in selecting partners, this new thrust has resulted in the establishment of a substantial range of manufacturing capability in the Kingdom, which obtains various levels of protection through preference on contracts and customs levies on competitive import products of up to 20 per cent. These joint ventures employ labour at rates which are frequently more competitive than those prevailing in North America and Europe.

Saudi government agencies have been entering into government-to-government co-operative arrangements with agencies of foreign governments to improve the technological capability in the Kingdom. In the Canadian context, such co-operative arrangements fall under the umbrella of the Joint Economic Committee and are being pursued in areas of: spectrum management through the federal Department of Communications; remote sensing capability from the Department of Energy, Mines and Resources; technical assistance for an astronomical observatory from the National Research Council; and civil aviation control training through the federal Department of Transport, the Canadian Commercial Corporation and the Ontario Educational Services Corporation. All of these technological transfer agreements have the capacity for introducing a range of Canadian-designed and manufactured equipment to Saudi Arabia and several of them are showing promising early results.

### **Future Market Opportunities**

Decreased oil earnings have reduced planned Saudi government budgetary expenditures from US\$91 billion in 1982-83 to US\$75.8 billion in 1983-84 with a rare drawdown of at least US\$10 billion of its financial reserves during the year.

But imports totalling US\$40 billion in 1982 continue to make Saudi Arabia one of the largest markets for exports in the world and there is more than adequate scope for Canadian exporters to secure or enhance their market performance. As sectors of concentration, Canadian strengths should be fitted to Saudi requirements in the areas of:

- i) petroleum and petrochemical equipment;
- ii) telecommunications, electronics and avionics;
- iii) cereal grains, oilseeds and products;
- iv) electrical generating and transmission equipment; and
- v) other sectors.

The foregoing areas of concentration will not lessen emphasis on building up Canadian markets for raw and semi-processed materials for the newly-established, indigenous Saudi industries or for support in ongoing marketing opportunities.

### **The Overall Strategy**

This market development plan for Saudi Arabia outlines a variety of trade promotion instruments that will be utilized by the federal government to assist Canadian companies to pursue export opportunities in the Saudi market. This inventory of instruments results from an assessment of identified needs and constraints and is designed to increase exports of Canadian goods and services to Saudi Arabia. A Summarized Action Plan highlights Canada's trade initiatives and follows the Executive Summary.

The trade fair concept is gaining much wider acceptance for marketing in Saudi Arabia. As a result, extensive use of the Fairs and Missions Program will continue. PEMD\* C (trade fairs) assistance will be increased to support greater industry participation. In addition, support is offered for PEMD F proposals (i.e. to assist companies in sustaining ongoing market analysis and market development activities). Federal and provincial trade missions, particularly those that have an industry specialization, will be encouraged.

Trade fairs and missions for 1983-84 have been planned in accordance with the allocation of funds for market development activities in Saudi Arabia. Trade fairs and missions, proposed in subsequent years as a response to identified needs, will be closely evaluated in terms of budgetary considerations. Additions and/or deletions for these subsequent years may be made as a result of experience gained from past events, ongoing interdepartmental discussions, and consultations with the provinces and the private sector.

The primary agents for the facilitation of this plan are the Middle East Trade Development, Department of External Affairs, and the Commercial Division of the Canadian Embassy in Jeddah, Saudi Arabia. The degree of success in meeting the objectives of the plan relies on the co-ordination and co-operation of all federal departments and provincial governments and, most importantly, the active involvement of business and industry. Consultation in the preparation of this plan has been conducted with the provinces and with other federal government departments. Ongoing consultations by trade officials with businessmen have ensured that private sector views have also been incorporated. Given this concentration of effort and dedication of purpose, there is every reason to expect that Canada's share of the Saudi market can be significantly expanded.

\* Program for Export Market Development



## SUMMARIZED ACTION PLAN FOR SAUDI ARABIA<sup>1</sup>

Timing <sup>2</sup>	Activities/Events	Contact <sup>3</sup>
<b>A) Petroleum and Petrochemical Equipment</b>		
	Identify and monitor potential opportunities and joint-venture partners in the oil and gas field.	(Post)
	In order to reinforce the good results of similar missions carried out in 1982-83, trade missions will be organized to explore opportunities with the "prime buyers", contracting firms and potential joint-venture partners.	(Post/GMT)
	Organize seminars, mostly during missions, to promote Canadian technology, goods and services in the petroleum sector in Saudi Arabia.	(GMT/GMEE)
	Provide information booths at, and invite Canadian firms to participate in, various Middle East trade shows related to the oil and gas equipment sector.	(GMT/GMEE)
	Arrange the visits of appropriate Saudi Arabian ministers to Canada to meet with Canadian companies and provincial and federal ministers interested in Saudi Arabia and introduce them to Canadian engineering and manufacturing capabilities.	(GMT/GSEI/GMEE)
<b>B) Telecommunications, Electronics and Avionics</b>		
	Identify potential Saudi partners and agents for interested Canadian companies in the telecommunications sector.	(Post)
	Undertake missions to promote Canadian technology and introduce Canadian firms to government and industry leaders in the Saudi telecommunications sector.	(Post/EELA)
	Use the Embassy as a showplace of modern Canadian telecommunications equipment starting with replacement of old PABX equipment.	(Post)
	Utilize opportunities to promote Canadian ground-to-air communications and navigational equipment afforded by agreement to provide air traffic control training to Saudi students.	(FELA)
	Raise attendance at various trade shows in the Middle East by increasing the number of information booths and encouraging more Canadian firms to exhibit.	(GMT/EELA/FELA)
1983-84	Examine market potential for ground receiving stations and possible joint-venture assembly in one or more Arabsat-member countries.	(Post/FELA)
1984	Determine, by market study, if Canadian telecommunications equipment suppliers are able to make their equipment compatible with the Nordic system now used and determine whether there is sufficient time to bid for the next expansion phase.	(Post/EELA)
1984-85	Plan arrangements for a seminar for Canadian firms interested in the Saudi market. Speakers would include Canadian exporters who have achieved success in the Saudi Arabian market to explain Saudi business practices.	(GMT)



### C) Cereal Grains and Products

	Continue to assist Canadian firms in identifying and pursuing market opportunities in the development and management of the grain-handling and processing sector.	(Post/GMT)
	Offer places for Saudi flour and grain industry personnel in future courses conducted by the Canadian International Grains Institute.	(CIGI)
1983	Support a mission of senior Wheat Board officials to the Kingdom to begin discussions with the Saudi Arabian Grain Silos and Flour Mills Organization.	(CWB/EFGP)
1984	Organize a technical seminar or outgoing mission, sponsored by the Grain Marketing Office, with the objective of familiarizing Saudi Arabian oilseed crushers, refiners and feed manufacturers with Canadian Canola products and to promote use of these products in Saudi Arabia.	(EFGP/AGMO)

### D) Electrical Energy Equipment

Undertake trade missions to investigate market opportunities in this sector and establish a roster of upcoming contracts.	(POST/GMT/GMEE)
Identify potential Saudi joint venture partners and agents.	(Post)
Continue to place emphasis on Canadian participation in electrical equipment trade shows to facilitate meeting Saudi buyers.	(GMT/GMEE)

### E) Activities in Other Sectors

Several trade fairs and missions are planned for 1983-84 and under discussion for 1984-86 in sectors not identified in this plan. A complete list of these activities can be found in Appendix V – page 45.	(GMT/Post)
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<sup>1</sup> Refer to Action Plans included with each priority sector for more specific information.

<sup>2</sup> Unless otherwise indicated, the Activity/Event is considered to be ongoing from 1983 to 1986.

<sup>3</sup> The symbols for contacts are listed in Appendix IV – Glossary of Abbreviations – page 44. Refer also to Appendix I – List of Government Contacts – page 40.

# I. MARKET OVERVIEW

## OBJECTIVE

A major theme of the paper *Canadian Export Strategy for the 1980s* is the introduction of greater focus on and co-ordination of Canada's marketing efforts. As approved by the Cabinet Committee on Economic Development, a series of market development plans are being drafted for Canada's priority markets. A central element of the exercise is a two-to-three-year action plan for each country. This document sets out an export development plan for Saudi Arabia by:

- i) *creating a strategy framework* to guide the actions and resources of the federal government in providing an effective program of assistance to Canadian export development in Saudi Arabia;
- ii) *elaborating a marketing plan* to take advantage of export opportunities and to overcome the constraints facing Canadian exports to Saudi Arabia;
- iii) *providing a working document* to be used as the basis for discussions aimed at co-ordinating the marketing efforts of the federal government in co-operation with provincial governments and the private sector.

The major Canadian trade objectives in Saudi Arabia are:

- i) to strengthen Canadian participation in Saudi Arabia's development program;
- ii) to increase exports of goods and services to maintain or improve Canada's market share; and
- iii) to pursue opportunities for investment, joint ventures and other forms of co-operation.

Activities and events for 1983-84 have been planned in accordance with the allocation of funds for market development activities in Saudi Arabia in the fiscal year. Activities and events indicated for subsequent years (1984-86) are based on identified needs and will be more closely evaluated in terms of budgetary considerations. Additions and/or deletions may be made as a result of experience with past events, ongoing interdepartmental discussions, and consultations with the provinces and the private sector.

## CANADA/SAUDI ENVIRONMENT

The Saudi Arabian market presents an exciting challenge to Canadian companies. Genuine interest in Canadian goods and services has been demonstrated through both private and government channels. The Joint Economic Commission has assisted in establishing areas of mutual interest and in removing any misunderstandings over trading practices. In an effort to strengthen private initiatives, both provincial and federal trade missions have taken place in the last few years. The Prime Minister in November 1980, the Minister of State for Trade in April 1981, the Energy Minister in January 1982, most recently the Honourable Gerald Regan, Minister for International Trade in January 1983, and missions

from the Ontario, Alberta, British Columbia and Quebec governments have demonstrated Canada's interest in assisting Saudi Arabia in its development. Canadian companies, together with the public sector, are involved in projects in communications, electrical transmission, manpower training and development, transportation, and agriculture.

## CHARACTERISTICS OF THE SAUDI MARKET

### 1. Demographic and Socio-Economic

The Kingdom of Saudi Arabia covers the greater part of the Arabian peninsula. The area is roughly rectangular in shape and about 2.4 million square kilometres in size — about equal to the size of Ontario and Quebec combined. Population is estimated at 8 million, of which about 3 million are foreign labourers and managers. About 75 per cent of the population is settled in the three major cities of Riyadh (the capital), Jeddah and Damman-Al-Khobar.

Saudi Arabia is a conservative Kingdom where the Muslim faith is universal. The majority of Saudis are members of the Wahabi religious sect, which is strict in its social and religious requirements. The country's role, as guardian of the holy places, is taken seriously. Strict adherence to Muslim and Wahabi strictures requires that women be secluded, not share work premises with men, and devote their lives to families and children. Women are now permitted to work as nurses and practise medicine but are not considered part of the generally employable Saudi population.

Many of the workers in Saudi Arabia must be brought in from other countries due to the impressive amount of work being done and the relatively small size of the Kingdom's own labour force. It is expected, however, that once the construction of infrastructure projects begins to fall off, the problems associated with a large number of foreign workers will be partially resolved. For example, Jubail, one of the Kingdom's twin industrial cities being constructed to take advantage of the country's petroleum resources, requires a labour force of 8,000 to operate industries in contrast to a required construction work force of 40,000; still, it will be early in the 21<sup>st</sup> century before Saudis form a majority of the labour force. Under the Third Plan, the objective is to reduce the growth of expatriate manpower to 7 per cent a year from 12 per cent.

Because the lack of trained Saudi manpower has been a major obstacle to development, government expenditures on education and training are sizable — the allocation for 1983-84 alone is US\$8.2 billion, more than 10 per cent of the total national budget.

Availability of water and housing are major concerns for Saudi planners. Approximately \$16 billion has been set aside in the 1981-85 Development Plan for water resource development. The housing market prefers permanent houses to the "villa development" form — the past approach of mass housing. Internal



transportation remains high in the priority for development. Some \$375 million will be spent on upgrading the existing Damman-Riyadh railway line and considerably more will be spent on roads and public transit.

The problem of port congestion has been eliminated under the Second Plan. However, port improvement, road construction, air operations and telephone installation will continue to be a priority under the Third Plan.

Saudi Arabia's population has averaged an annual growth of 10 per cent and rural migration to cities is a cause for concern in the Kingdom. To improve the quality of life, health and social services will receive approximately \$16.4 billion for improved health care and social development programs.

To provide greater focus and solutions to the problems of rapid economic and social development, the Gulf states of the United Arab Emirates, Kuwait, Saudi Arabia, Bahrain, Qatar and Oman established the Gulf Co-operation Council (GCC) in May 1981. To capitalize on the close ties of kinship and culture, the GCC encourages greater economic linkages within the group. Co-operation will be increased in the areas of immigration, security services and labour policies. Furthermore, the suggestion of a common market is under serious consideration and joint national industries are being established. Such actions would certainly improve the attractiveness of business opportunities in Saudi Arabia as well as in the other five-member states. The spinoffs from improved transportation and co-ordinated economic policies will entice business both to those companies already established in the Gulf area, as well as new entrants to Saudi Arabia.

## **2. Economic Trends**

Saudi Arabia was, until recently, the world's largest producer of crude oil, reaching daily production of up to 10.5 million barrels, but, due to the oil glut, production dropped as low as 3 million barrels per day (mbpd) in early 1982 (refer to Table 1, page 00). Current estimates on probable reserves are 179 billion barrels, giving Saudi Arabia the highest reserve-to-production level of any OPEC member nation. Oil is the lifeblood of the Saudi Arabian economy and accounts for almost three quarters of the gross domestic product, about 90 per cent of government revenues, and virtually all export earnings.

The Deputy Minister for Planning stated recently that production of 6.8 mbpd would be sufficient to meet Saudi Arabia's present needs. Overproduction by other OPEC nations has been largely at the expense of Saudi Arabia, due to the country's commitment to maintaining stable oil prices. Production of Saudi Arabian crude was down 70 per cent in the first three months of 1983 over the same period in 1981. The resulting decrease in revenues has brought about Saudi Arabia's first deficit budget with planned drawdowns in 1983-84 of US\$10 billion in foreign financial reserves.

While a slowdown in government spending is anticipated, Saudi Arabia is committed to maintaining sound economic development with continued emphasis on the implementation of the Third Development Plan. Given Saudi Arabia's vast oil supplies and foreign currency reserves, it is unlikely that short-term revenue considerations will affect the targets for investment spending.

The Third Five-Year Development Plan (1980-85) continues to place emphasis on investment in infrastructure, but less so than in the past. An extensive road network, sufficient for the country's present needs, has been largely completed. Port facilities have been improved and expanded to such an extent that Saudi Arabia now has excess port capacity. Development of public utilities and municipal services has been stepped up. The private sector has exceeded expectations in the housing, non-oil manufacturing, services and trade sectors.

Under the Second Five-Year Development Plan (1975-80), an average of 14.1 per cent real non-oil GDP growth was achieved. This progress was made possible by huge amounts of public investment and was facilitated by substantial inflows of foreign labour to Saudi Arabia. The growth objectives of the Third Plan, currently being followed, are less ambitious — real non-oil GDP is expected to increase by 6.2 per cent yearly. A target of 7 to 10 per cent inflation has also been set under the Third Plan, while past inflation ran in the high 30 per cent bracket in the mid-seventies. Per capita income has increased from an estimated SR 4,800 (US\$1,360) in 1975 to SR 8,200 (US\$2,464) in 1979, an increment of 55 to 60 per cent in real terms. The distribution of wealth, however, remains heavily concentrated.

## CHART 1

### Recent Economic Indicators

Percentage Change	FY 1979/80	FY 1980/81	FY 1981/82	FY1982/83*
Non-Oil real GDP	12.1	12.3	10.5	9.5
Prices (implicit non-oil GDP deflator)	8.9	7.6	5.6	—
<b>Billion U.S. Dollars</b>	<b>1978</b>	<b>1979</b>	<b>1980</b>	<b>1981*</b>
Merchandise exports	37.0	58.1	100.8	110.7
Of which: oil exports	(36.9)	(57.9)	(100.6)	(110.5)
Merchandise imports	— 20.0	— 23.5	— 28.2	— 34.0
Services and private transfers (net)	— 15.3	— 19.9	— 25.5	— 24.6
Current account balance	1.7	14.6	46.9	52.1

\*Estimates

Source: International Monetary Fund, 1982

### 3. National Planning

The Third Development Plan calls for total expenditures of \$235 billion representing a 57 per cent increase over expenditures of \$150 billion envisaged under the Second Development Plan. The Third Plan shifts investment away from physical infrastructure towards the development of goods-producing sectors with emphasis on hydro-carbon based industries. Education and agricultural development are also highlighted. A further \$50 billion has been set aside to cover inflation. The aims of the Plan are: (1) to preserve Islamic values and laws; (2) to uphold the faith and internal security; (3) to secure balanced economic development; and (4) to develop indigenous manpower resources. Anticipated growth is 15.8 per cent with inflation at approximately 7 per cent. Defence and foreign aid figures are not included in the above figures.

The Third Plan indicates development expenditure allocations totalling some \$145 billion (excluding allocations for administration, defence and foreign aid). Of the \$145 billion, about \$52.4 billion is to be allocated for resource development. Since one of the major problems facing the Saudis is the scarcity of fresh water, some \$11.9 billion has been set aside for water desalination plants (29 are to be constructed). Electrification of the country also ranks high among Saudi government priorities. Various electrical power, transmission and distribution schemes are projected to cost \$15.8 billion. The Saudi Government has stated also that emphasis will be placed on developing industry, mining and agriculture with the objective of acquiring new technology, reducing reliance on the crude oil sector as well as co-ordinating industrial development among Gulf states (refer to Charts 2 and 3, pages 13. and 14 ).

To achieve these goals, \$7.7 billion has been allocated to the Saudi Basic Industries Corporation (SABIC, a government-owned corporation) to carry out the petrochemical, fertilizer and iron and steel projects planned for the major industrial complexes at Jubail

and Yanbu. These projects are joint ventures between SABIC and foreign companies. The General Petroleum and Minerals Organization (Petromin) is to be granted some \$8.3 billion for various petroleum projects (including the expansion of Saudi refining capacity) and for further exploration and exploitation of gold, copper, iron ore, phosphates and other minerals in Saudi Arabia (see Appendix II, page 42). In effect, fully 60 per cent of government expenditures are dedicated to project work.

In an attempt to reduce dependence on imported foodstuffs and to eventually attain agricultural self-sufficiency, the Saudi Government has allocated some \$2.4 billion for agricultural development in the Third Plan. The Saudi Government has attempted to increase agricultural production by constructing dams, irrigation networks and drainage facilities, but the scarcity of water continues to severely constrain output. At least part of the \$4.0 billion allocated for water schemes is, in fact, related to agricultural development. Currently, the utilization of aquifers is being explored so that artesian wells could provide the needed water. A possible next stage would be the development of desalination plants along the coast with the water transported by pipeline.

While much was achieved in the way of infrastructure development under the previous plan, the Saudis have allocated some \$49.3 billion for transport and communications development and public works projects. Major expenditures are slated for roads (\$11.3 billion), civil aviation (\$10.7 billion) and seaport development (\$7.1 billion). Relatively smaller amounts have been set aside for railway (\$1.4 billion) and postal development (\$1.1 billion), and for the Saudi Arabian Airlines (\$2.6 billion).

The Saudi Government has stated that the creation of a more skilled indigenous labour force, trained to meet the requirements of a diversified Saudi economy, is a high priority. In fact, many contracts awarded call for the training of Saudi nationals as a



strict requirement. Some \$30.4 billion has been allocated for this purpose, including increased emphasis on technical, vocational and on-the-job training programs. Nonetheless, Saudi Arabia will continue to depend heavily upon foreign labour to carry out its economic development plans.

Some \$12.7 billion is to be allocated to improving health and social services. The bulk of spending (\$10.5 billion) is for health facilities. For example, the Plan envisages the construction of 36 hospitals with a total of 9,500 beds. Youth Welfare will receive \$1.4 billion and emphasis will be on sports, culture and social endeavours.

## CHART 2

### Civilian Expenditure on Development

(five-year period 1980-85, prices in SR bn)

Function of Expenditure	Current Prices	2nd Plan %	3rd Plan %
Economic resource development	261.8	25.1	37.3
Human resource development	129.6	15.9	18.5
Social development	61.2	9.4	8.7
Physical infrastructure	249.1	49.6	35.5
Subtotal: development	701.7	100.0	100.0
Administration	31.4	6.7	4.5
Emergency reserves, subsidies	49.6	15.9	7.1
Total civilian expenditure	782.7	122.6	111.6

Source: Saudi Arabia Ministry of Planning's Third Development Plan.

#### 4. The 1983/84 Budget

At the levels of oil production prevailing in early 1983, Saudi Government oil income for the year was projected at US\$37 billion compared to the record US\$97 billion in fiscal 1981/82. A sharply reduced budget was, therefore, expected for 1983/84. With large food and other subsidies to support and a business sector already damaged by delayed payments and contract negotiations, the Saudi Government has had to consider reductions in spending programs.

The government's 1983/84 budget, introduced in April, contained expenditure allocations totalling US\$76.5 billion, a 17 per cent drop from 1982/83 allocations (which were underspent by 22 per cent). Moreover, since total government revenue in the new fiscal year is projected at US\$66 billion, the 1983/84 budget projects a deficit of over US\$10 billion, which is to be drawn from the government's financial reserves. The deficit budget, the large drawdown of reserves, and the inclusion in general revenues of the earnings derived from financial reserves (i.e. US\$80 billion hard currency, US\$50

billion soft loans to developing countries), are new to Saudi Arabia.

The new budget contained sizable cuts in all sectors, except administration and other government agencies (Chart 3, page 00), and eased the concerns of the Saudi private sector with Royal Decrees directing that more government business go through Saudi companies.

The real impact of the budget will be clearer when it becomes apparent how the new allocations will be used to pay arrears and the effects of changes in budgetary procedures are determined. The obvious and expected decrease in capital expenditures signals reduced trade opportunities in Saudi Arabia, especially in large infrastructure projects and will mean continued tough bargaining on the part of the Saudi Government. Nevertheless, the sheer size of projected expenditures and the likelihood that Saudi imports will grow beyond the US\$40 billion registered in 1982, continue to make the Kingdom one of the most attractive export markets in the world.

### CHART 3

#### Saudi Arabia's Budgetary Allocations

(US\$ millions)

Sector	1982/83	1983/84	% Change
Defence and Security	27,320	22,274	- 19
Manpower and Development	9,371	8,174	- 13
Social Development	5,003	3,997	- 20
Transport and Communications	9,568	7,338	- 23
Economic Resources	6,484	3,885	- 40
Infrastructure	3,443	2,819	- 18
Municipal Services	7,713	5,609	- 27
Administration and Other Government Services	13,114	13,839	+ 5
Lending Institutions	6,877	5,882	- 14
Domestic Subsidies	3,283	2,653	- 19
Total	92,176	76,471	- 17

Source: Saudi Arabia's Ministry of Planning's Third Development Plan

### 5. Foreign Trade

Generally, Saudi Arabia pursues a liberal trade policy. The only diversions from this policy are as prescribed by the Arab League, particularly vis-à-vis Israel. As a dominant exporter of oil, Saudi Arabia has ready access to many markets and is not a member of the General Agreement on Tariffs and Trade (GATT), nor does it have restrictive tariffs on imports. Saudi-based manufacturers, or joint ventures with Saudi partners, are given up to a 20 per cent price advantage over offshore manufacturers for contract work.

Possessing more than one-fifth of the non-communist oil reserves in the world and accounting for one-sixth of global oil production (in 1981), Saudi Arabia's main foreign trade concern is its oil exports. The Kingdom practises a conservative oil policy; avoiding both large crude oil price increases and large price cuts. The policy is based upon Saudi Arabia's economic interdependence with the West and the desire to ensure that the demand for its oil lasts as long as its reserves (63 years at 7 mbpd).

Saudi Arabia has taken the largest production cuts in OPEC during the current oil glut and exports have decreased from US\$113 billion in 1981 to US\$87 billion in 1982. In 1981, 13 per cent of Saudi Arabia's oil exports went to the United States, 17 per cent to Japan, 10 per cent to France, 7 per cent to Italy, and 5 per cent to the Netherlands (see Chart 4, page 15).

Saudi Arabia's imports increased by an average of 39 per cent per annum over the last five years, reaching \$35 billion in 1981 and US\$40 billion in 1982. The United States accounted for 22 per cent of Saudi Arabia's imports in 1981, Japan for 18 per cent, West Germany for 10 per cent, Italy for 7 per cent, the U.K. for 6 per cent, France for 6 per cent, and Canada for 0.5 per cent. (See Tables 2, and 3).

The top five categories of machinery, electrical equipment, cars and other vehicles, base metals, and textiles account for more than two-thirds of total imports.



## CHART 4

### Saudi Arabia's Total Trade Turnover

(Exports plus Imports)

(\$000 U.S. current)

Country	1979	1980	1981
World	87,889,616	139,305,392	155,159,568
Japan	14,879,240	24,441,664	27,017,584
U.S.A.	15,788,429	22,923,392	23,615,056
France	6,429,398	11,717,896	13,448,817
Italy	6,950,371	8,916,654	10,865,351
Federal Republic of Germany	4,476,252	6,057,113	8,390,072
Netherlands	4,257,806	8,399,723	7,618,979
United Kingdom	3,849,518	5,816,896	6,268,022
Singapore	2,771,691	4,574,200	6,093,513
Spain	2,792,839	3,722,109	4,500,912
Belgium-Luxembourg	2,545,178	4,445,073	3,570,761
Republic of Korea	2,401,598	4,267,972	4,582,226
<b>Canada</b>	<b>1,318,125</b>	<b>2,297,354</b>	<b>2,299,635</b>
Sweden	1,314,568	2,845,135	2,577,332
Bahrain	1,398,050	2,240,379	2,852,135

Source: External Affairs, International Trade Data Bank System,  
Based on United Nations Data

## CANADIAN TRADE WITH SAUDI ARABIA

Canadian exports to Saudi Arabia grew from \$321 million in 1980 to \$455 million in 1981 and decreased somewhat to \$442 million in 1982. Of this total about 41 per cent were composed of cars, trucks and parts shipped from General Motors of Canada. Substantial increases in sales have been recorded for lumber, aircraft, electrical switchgear, protective equipment and other semi-manufactured products. Indeed, in 1982, Canadian exports other than cars and trucks jumped by 20 per cent. Moreover, the range of items which Canadian exporters sell to Saudi Arabia continues to expand as they begin to appreciate the substantial market opportunities available.

Saudi Arabia is a large market for consulting services and expertise. Noteworthy among recent successes for Canada has been the Bell Canada contract with the Saudi Arabian Ministry of Post, Telephone and Telegraph for management services, for which a \$1.6 billion, 5-year extension was signed in April 1983. There is a substantial requirement for consultancy associated with Saudi Arabia's massive electrification program but, to date, only SNC of Montréal has had success as project manager for the \$1 billion rural electrification project in the Qassim region. Direct consulting or joint-venture consulting potential exists but Canadian firms will

need to devote more attention and pay repeated visits if they are to develop the right mix of sponsorship, joint-venture arrangements, and pricing to secure a broader range of contracts.

Some Canadian manufacturers are developing joint-venture manufacturing or assembly arrangements with Saudi partners to their mutual benefit which are the type of arrangements preferred by Saudi officials. Most Saudi contracts require or give preference to bids from Saudi joint ventures. It is anticipated that, in the future, Canadian manufacturers will enter into an expanding number of such arrangements.

Canadian exporters have not, in any way, exhausted opportunities for direct sales to the Kingdom. With gross imports of US\$40 billion in 1982, Canadian sales of \$422 million are miniscule. In the future, Canadian exporters of traditional raw materials and semi-manufactures will obtain better access to the market through more frequent visits and tighter pricing. Opportunities for such routine items as office furniture, carpets, paper products, fisheries and wheat are largely unexploited. Saudi importers welcome and encourage visits of Canadian suppliers and are happy to meet Canadians who are prepared to give attention and continued follow-up to the market (See Chart 5, page 16).

## CHART 5

### Canadian Trade with Saudi Arabia

(millions of Canadian dollars)

Product	1979	1980	1981	1982
<b>Canadian Exports to Saudi Arabia:</b>				
1. Passenger Automobiles and Chassis	92.7	134.6	175.4	129.2
2. Trucks, Truck Tractors and Chassis	3.4	3.6	64.6	54.1
3. Lumber, Softwood	8.7	20.3	36.0	62.5
4. Metal Fabricated Basic Products	16.9	19.1	27.1	28.5
5. Prefabricated Buildings and Structures	22.1	16.9	21.2	6.5
6. Aircraft, Complete With Engines	1.2	8.6	11.8	0.0
7. Other Equipment and Tools	10.8	9.0	11.0	10.1
8. Other Telecommunication and Related Equipment	14.0	6.7	8.9	28.4
9. Drilling, Excavating, Mining Machinery	3.7	2.2	6.0	1.9
10. Asbestos, Unmanufactured	2.2	1.0	5.7	6.5
11. Materials Handling Machinery and Equipment	3.9	4.1	5.6	4.1
12. Other Transportation Equipment	0.2	2.9	5.2	1.5
13. Other Non-Metallic Mineral Basic Products	7.2	4.4	4.6	14.4
14. Heating and Refrigeration Equipment	6.7	3.0	4.4	2.8
15. Electric Lighting and Distribution Equipment	2.8	7.4	4.3	5.6
16. Other Personal and Household Goods	5.6	4.4	4.1	3.5
17. Plate, Sheet and Strip, Steel	2.4	1.9	4.0	1.9
18. Aluminum, Including Alloys	5.0	5.5	3.9	3.3
19. Other Motor Vehicles	3.1	2.4	3.7	1.7
20. Navigation Equipment and Parts	0.4	1.6	3.5	1.4
Sub-Total Main Items:	212.8	259.5	411.0	339.4
Total All Items:	251.6	310.3	455.5	442.4
<b>Imports From Saudi Arabia:</b>				
	1,242.0	2,445.8	2,272.8	731.3
TRADE BALANCE	- 990.4	- 2,135.5	- 1,817.3	- 288.9

Source: Statistics Canada  
Cat. #65-006, 65-003

## TRADE POLICY CONSIDERATIONS

Canada-Saudi Arabia trade relations have been built on their complementary economies. Canada has been a substantial purchaser of crude petroleum from Saudi Arabia, primarily through multinational oil companies. For its part, Saudi Arabia, already conscious of Canada's reputation as a producer of food and other raw materials, is increasingly aware of Canada's potential as an exporter of the technological expertise and equipment required to realize their development plans. The Saudi attitude towards Canada is that we share a number of problems and objectives in domestic and international politics. Given these similarities and the appropriateness of Canadian technology, Saudi Arabia wishes to intensify bilateral relations.

The Saudis expect to be treated as a full economic partner, not simply as a potential purchaser of Canadian goods and services. They react favourably to a regular flow of ministerial and official missions as a reflection of Canadian recognition of their growing importance on the world stage.



## CANADIAN TRADE DEVELOPMENT INSTRUMENTS

Saudi Arabia is Canada's leading trade partner in the Middle East and should remain so for a considerable period of time given the unexploited potential of the marketplace. In support of trade expansion, there are a number of federal government instruments that are available to exporters to facilitate their progress in the market, including:

- i) individual business visits with prior guidance from the Middle East Trade Development Division (External Affairs) on market opportunities and business practices, complemented by visit schedules and appointments arranged by the Canadian Embassy in Jeddah;
- ii) participation in Saudi trade fairs with provincial or federal government support under PEMD C (trade fairs) and information booths; participation in six or eight trade shows will be supported in 1983-84;
- iii) specifically directed trade missions, organized either provincially or federally, supported by appointment schedules and guidance from Embassy trade officers;
- iv) support under the auspices of the Joint Economic Commission, which meets periodically, to obtain an overview of Saudi economic considerations in conjunction with Canadian supply capabilities;
- v) support of new business or large project opportunities through ministerial visits (e.g. Prime Minister Trudeau's visit to Saudi Arabia in November 1980, the Honourable Ed Lumley's visit in April 1981, the visit of the Honourable Marc Lalonde in January 1982, and the Honourable Gerald Regan's visit in January 1983), all had a broad trade content. Further high-level visits will be arranged when opportunities warrant;
- vi) provincial ministerial missions will serve to emphasize to Saudi officials the regional focus of Canadian capabilities;
- vii) encourage Canadian firms to register on the Business Opportunities Sourcing System (BOSS) in order to ensure that all Trade Commissioners are familiar with Canadian companies and their products and services. Forms can be obtained at any DRIE regional office.

## II. MARKET OPPORTUNITIES AND SECTOR MARKETING PLANS

### 1. PETROLEUM AND PETROCHEMICAL RELATED INDUSTRIALIZATION

#### a) The Opportunity

Saudi Arabia is well established as the world's premier oil power. The country has been a significant producer for 30 years; it contains almost 30 per cent of the world's known reserves and is currently the largest exporter, producing about 4.0 mbpd. Probable reserves are estimated at 179 billion barrels of oil and 3.36 billion cubic metres (112 billion cubic feet) of gas. New discoveries and recovery techniques have kept these reserves at a constant level although reports have surfaced suggesting that total lift has begun to exceed new discoveries. However, the Saudi Arabian production to reserves ratio is the lowest of any oil exporter.

Until about five years ago, Saudi Arabia's petroleum activity was mainly confined to crude oil supply under the concessionary control of ARAMCO (Arabian-American Oil Company — a partnership of Standard Oil of California, Texaco, Exxon, Mobil and the Saudi Government). During this period, the emphasis was on increasing production while very large volumes of associated natural gas were flared off. For many years, it was very difficult to become a new supplier to ARAMCO, especially for Canadians who were still developing expertise in the oil and gas business.

The situation, however, is changing rapidly. The Saudis now control ARAMCO and are proceeding on a state-dominated plan to control their own crude oil system, to capture the associated gas, and launch an industrialization plan based on oil refining, petrochemicals and downstream industries.

In addition, the Saudis are working with neighbouring Gulf countries (Kuwait, Bahrain, Qatar, the Emirates and Oman) under the Gulf Co-operative Council (GCC) to co-ordinate industrialization activities in the area. There are indications that the area will become a common market with the most concentrated downstream petrochemicals and industrial development programs of all time.

Indications are that Canada would be a welcome participant based on the fact that:

- i) Canada is perceived as a stable, relatively neutral country with sophisticated, high technology capabilities;
- ii) Canada's commercial record is good, as demonstrated by the performance of Bell Canada, SNC, and other important Canadian firms;
- iii) Canadian manufacturing standards are equivalent to those of the U.S., and Saudi purchasers are insistent on U.S. standards; and
- iv) the Saudis want to diversify sources of supply.

In addition, the industrialization incentives for joint ventures (usually 50 per cent supplied by the Saudi government) are generous and could be applied to reduce Canadian risks and front-end costs. The Saudis are strongly encouraging these ventures. As a further inducement to the creation of joint ventures, many major projects are shifting to project management bidding (similar to the SNC contract). This is a change from the former practice of awarding large-scale turnkey packages to prime contractors into which Canadian firms often lacked the resources to enter. The effect is that projects will now be broken down into smaller packages where Canadian firms have the ability to obtain subcontracts.

Primary industry development is beyond the capability of the Saudi private sector. Projects are being established through state agencies, such as the Saudi Basic Industries Corporation (SABIC), and foreign consortia or large foreign companies including Mobil, Shell and Dow. Under these arrangements, the foreign partner may obtain long-term crude oil rights as part of their incentive. Primary or basic industries include the large-scale petrochemical, fertilizer and metallurgical industries, whose output will be either exported directly or used as feedstock for further downstream secondary and tertiary industries.

Among primary projects are the following:

- Petromin/Shell oil refinery (250,000 bbl/day);
- Petromin/Texaco/Chevron lube and oil plant (12,000 bbl/day);
- SABIC/Shell ethylene refinery (656,000 tonnes/year);
- SABIC/Mitsubishi ethylene glycol refinery (300,000 tonnes/year);
- Al-Jubail Fertilizer Project (SABIC/Taiwan Fertilizer Company) (500,000 tonnes/year of urea);
- SABIC ethylene refinery (500,000 tonnes/year);
- Celanese/Texas Eastern/SABIC methanol plant (650,000 tonnes/year);
- Petromin refinery (240,000 bbl/day);
- SABIC/Mobil petrochemical plant (YANFET) (1 million tonnes/year);
- Petromin/Mobil export refinery (250,000 bbl/day);
- Saudi Iron and Steel Company (SABIC/KORF-Stahl) (850,000 tonnes initial production).

Most of Saudi Arabia's planned primary industries will be producing by 1985. Opportunities for direct involvement are now remote due to the scale of the projects and their advanced state of planning and execution. Opportunities do exist for firms ready to establish joint ventures with Saudi companies to supply materials and services related to the construction and future servicing of the primary projects and basic infrastructure. In the Jubail project alone, more than 400 active contracts are underway.

Greater opportunities exist for projects that use the output of the primary industries as feedstock for further downstream production, i.e. ethane to ethylene and high and low-density polyethylene, methane



to methanol, etc. Consultants are still studying what secondary and tertiary industries are appropriate, particularly in the case of the Jubail and Yanbu projects.

Secondary industries will be developed by the private sector under the guidance of the Ministry of Industry and Electricity. The rules for promotion of joint ventures and securing Saudi assistance are outlined in separate papers that are available. In addition, opportunities exist to participate in, or supply materials to, the basic and secondary industries through a host of service industries that are being developed. These support industries will supply materials, distribution and professional services. Thus far, several hundred businesses have been approved for the Jubail industrial city.

Canadians, who want to participate in the petroleum and petroleum-based industrialization activities, should have some understanding of the Ministry of Petroleum and Mineral Resources (MP and MR), the Ministry of Industry and Electricity (MI and E), and the Royal Commission for Jubail and Yanbu (RCJY). These agencies are all interlocked in the country's master industrialization plan and are explained in more detail in the Explanatory Notes on pages 21 to 22 immediately following the Action Plan. The opportunities that exist within ARAMCO are also provided in the Explanatory Notes.

## **b) The Canadian Industry**

The Saudi oil, gas and petroleum-based industrialization programs require a large and varied range of products and services that tend to parallel existing and forecasted projects in Canada, and those which Canadians have been supplying in the U.S. for many years. Canada has a multiplicity of smaller industries which should be a good match for the type of joint ventures that Saudi state agencies are promoting.

## **c) Canadian Marketing Activity**

Saudi Arabia's crude oil production system had matured with mainly U.S.-established suppliers before Canadians developed their offshore capabilities. However, in recent years, Canadians have made some progress, especially during periods of change when new systems were introduced.

There has been little Canadian participation in the first wave of refineries and petrochemical plants or other primary industries such as steel production. In retrospect, this has mainly been due to an inability by Canadian firms to "joint venture" at the state/agency level or to undertake large turnkey construction contracts. On the other hand, some Canadians are pursuing petrochemical plant equipment and service contracts.

The Middle East Trade Development Division (External Affairs) continues to monitor opportunities and promote Canadian participation in the downstream and support industries being planned by all the Arab Gulf countries.

## **d) Canadian Success Stories**

Since Canadian activities have not been tied to any major drive or leading project, our successes are limited to increasing sales of equipment for construction and operations in the petroleum sector, from about \$12 million in 1976 to about \$100 million in 1980. Indications are that this growth pattern will continue. Invisibles, which include consulting fees and salaries of an estimated 2,500 individually employed technical personnel, are estimated at \$30 million in 1980.

There are a number of operating joint ventures in the distribution field and several manufacturing and service joint ventures are now under negotiation.

## **e) Market Impediments and Advantages**

Historically, Saudi Arabia's petroleum-related activities have been closely controlled by large multinational oil companies, mostly U.S., and dominated by ARAMCO, which tended to deal with other U.S. enterprises. Recently, the situation has changed with large consortia from Japan entering the market. These organizations have a requirement for long-term supplies of oil or petrochemical products, and are able to bargain with equity participation and technological transfer for additional supplies. Japanese companies also have the resources necessary to undertake large turnkey contracts for refineries or parts of petrochemical plants which are totally supplied by their own consortia. While this situation is likely to prevail through Saudi's first wave of refinery and petrochemical plant developments, it is evident that the Saudis are taking steps to receive worldwide quotes. Nevertheless, the scale of many projects, the equity required, and the cost of Canadian labour and equipment have inhibited participation.

The absence of any significant Canadian "beach-head" or sustained presence in the Saudi oil and petrochemical sector has meant that opportunities are missed simply because Canada has had no firm available to pursue them. By the time projects are publicly announced, very often the contracts are already let and the suppliers chosen.

Firms interested in concentrating on selling to ARAMCO often need fulltime representatives or, at minimum, regular visits by technical/sales personnel to seek out opportunities, push their product or service, and provide technical follow-up and after-sales service. The suppliers, who are making major inroads into the market, invariably have staff located alongside their Saudi agent. It is usually unwise in this market to rely on an agent for active product promotion, as the successful agents normally represent 30 to 100 or more firms, have limited sales staff, and usually employ a limited technical staff to explain the merits of the particular product or service being offered. These factors are often cited as arguments for engaging a smaller, well-established agent, who is ready to "push and promote" a new

product. In petrochemical projects, it is even more important that management and technical personnel be available for follow-up with the firms which have prime contracts to determine opportunities for sub-contracting, equipment and related services and parts. Often the only way to gain access to these opportunities is to repeatedly visit contractors, SABIC, the Royal Commission, Bechtel, ARAMCO and others. The time constraints on Embassy personnel and the absence of Canadian businessmen have been major impediments to Canada obtaining even a small share of the multi-billion dollar opportunities that exist.

Other constraints include differing social and other customs, and the high costs of doing business and living in the Kingdom. Canadians are at a disadvantage on shipping and associated costs because of the relatively small volume of trade. By contrast, other countries ship most of their commodities under longer-term, contracted shipping arrangements. Most companies doing business in Saudi have, at one time or another, experienced late payments. While the situation has improved, it has to be considered on a case-by-case basis.

On the positive side, Canada is not without advantages in this market. The overwhelming preference for American products, technology, and standards of quality work to Canada's advantage, since Saudis usually associate Canadian products with those of the U.S.

In addition, many of those in a position to recommend suppliers are American and have, in many cases, a preference for North American goods and services, as opposed to competing European and Far Eastern products.

Finally, the Saudis respect Canada's reputation as an important economic factor and as a country sympathetically interested in the problems of the developing world with which they wish to build closer links.

#### f) The Competition and Competitor Activity

Up to this point, the Saudi petroleum sector has been dominated by U.S. technology and larger commercial interests. It appears, however, that smaller U.S. suppliers and consultants may not be taking full advantage of this built-in relationship. The French, Germans and British have been moving in with emphasis on equipment and services, including some successes in joint ventures with state agencies. In the same period, the Italians, Spanish, Koreans and Greeks have been trying very hard and are favoured by recent exchange fluctuations. During the last five years, the Japanese, largely motivated by the need for oil and petrochemical products, have been active in Saudi Arabia.

#### g) Action Plan\*

Canadian industry has had only marginal participation in the Saudi Government's ambitious industrialization of the petroleum and petrochemical sectors to

date. The shift to a project management bidding process, however, presents many opportunities for Canadian exporters prepared to invest considerable time and effort in developing a market in Saudi Arabia. To help firms become established in the Saudi market, the federal government plans the following activities:

Timing	Event
Ongoing	i) The Embassy in Jeddah has available a trade officer responsible for oil and gas to discuss opportunities, constraints and Saudi business practices with interested Canadian suppliers. The officer will promote Canadian participation in appropriate trade shows, missions and seminars in Saudi Arabia over the next two or three years. <b>(Post)</b>
Ongoing (from 1983)	ii) The Embassy will continue to gather information on potential opportunities in the oil sector including anticipated projects. The information will be made available to interested firms from the Saudi desk of the Middle East Trade Development Division, Department of External Affairs, Ottawa. <b>(Post/GMT)</b>
Ongoing (1983/86)	iii) A series of missions will be conducted which will be specifically aimed at introducing interested Canadian firms to prime buyers and contractors and to exploring opportunities in Saudi Arabia. <b>(GMT/GMEE)</b>
Ongoing (from 1983)	iv) The Embassy will facilitate, where appropriate, the formation of joint ventures, agencies and distributorships for equipment and supplies now purchased on an "as needed" basis. This will be accomplished by bringing together Saudi and Canadian business people seeking such opportunities during trade fairs and missions. <b>(Post)</b>
1983/84	v) Missions, possibly headed by Ministers of Trade and Energy, will promote Canadian technology and introduce Canadian firms to government and industry leaders with responsibility for downstream projects in 1983/84 and capitalize on the fact that many projects utilize American standards and practices familiar to Canadians. <b>(GMT)</b>
Ongoing	vi) Promote greater Canadian participation in trade shows. <b>(GMT/GMEE)</b>
1983/84	vii) Organize seminars, mostly during missions, to promote Canadian technology, goods and services in the petroleum sector to increase Canadian visibility in 1983/84. <b>(GMT)</b>

\* Contacts, shown in bold print, are explained in Appendix I, pages 40-41



- viii) Provide an information booth at the Middle East Oil Show in Bahrain in 1984. (GMT)

## **EXPLANATORY NOTES ON INSTITUTIONAL FORCES IN THE SAUDI MARKET**

### **Ministry of Petroleum and Mineral Resources (MP and MR)**

The MP and MR has overall responsibility for the efficient development and marketing of petroleum. They, in turn, have fifteen agencies covering exploration, production, refining, marketing, pipelines, shipping and shipbuilding. These agencies are either owned outright by the Kingdom or in the process of being taken over. The two most significant sub-agencies of MP and MR are Petromin and ARAMCO.

#### **Petromin**

Petromin is responsible for all petroleum and administration that fall outside of the geographical area assigned to ARAMCO and certain operations such as: production, exploration, marketing, and shipping plus some pipelines and refineries. Petromin is a relatively new and fast-growing organization and some lines of control are still obscure to outsiders. Procurement appears fragmented but a centralized agency will probably develop as more refineries and pipelines go into operation.

#### **ARAMCO**

This former joint venture of four large U.S. oil companies played the leading role in the country's oil discovery and development dating back to 1933. A majority ownership position in the organization was recently taken by the Ministry of Petroleum and Mineral Resources. Its structure and personnel (some 54,000 persons) have remained intact and may be a model for the formation of other Saudi agencies. The firm is responsible for all petroleum activities in the Eastern Province, which covers the original large oil fields both on and offshore. This includes the oil refinery at Ras Tanura and the Trans Arabian Oil Pipeline.

ARAMCO also has responsibility for several aspects of the new industrialization plan, including the master gas-gathering and processing system and the gas-liquids line (Petroline) across the Peninsula to Yanbu. The company continues to be occupied with exploration and existing field repressurization work. Although the oil glut has brought about decreased activity, plans include a major offshore drilling program requiring services and equipment, and more gas/oil separation plants (GOSPS), and more than 100 km of submerged pipe in the Marjan Fields. Major installations will also be built at Ras Tarajib, in

addition to improvements and overhaul of pipe and equipment at the Ras Tanura refinery and the Abqaiq field.

It is estimated that ARAMCO would need more than \$4 billion of steel over the next five years. This indicates major opportunities within ARAMCO, whose expenditures in 1981 totalled \$5.0 billion in contracts and \$3.0 billion in purchase orders.

ARAMCO is also responsible for management of the Saudi Consolidated Electricity Company of the Eastern Province (SCECO EASTERN). SCECO EASTERN, established in 1976, is the first of five such national organizations which are set up across the country to nationalize, control and develop electricity.

ARAMCO has a very large purchasing and stores system which includes a branch in Houston. Since ARAMCO's buying practices favour the Saudis, it is usually best that interested Canadian firms locate a competent Saudi agency or partner, who is registered with ARAMCO, to represent them. In the case of SCECO, all purchases are made through Saudi companies.

For companies, whose strategy is to sell products to ARAMCO and, in particular, if they are the sole supplier worldwide of a particular product, it is essential that they register and have their product and company approved by ARAMCO in Houston. The Canadian Consulate General in Dallas can be of assistance.

If the company is not the sole supplier of the product, it will be preferable to visit Saudi Arabia, to meet with ARAMCO in Dhahran, and to interview prospective agents. Except for one-of-a-kind items, ARAMCO's purchases are generally made through local suppliers. While approved Canadian manufacturers may be invited to bid directly, the government's policy of promoting Saudi firms by means of a Saudi agent is almost mandatory.

Most of the manufacturers, who have been successful in obtaining lucrative repeat business, have either located technical/sales personnel alongside their Saudi agent, or as a minimum, visited their agent and met prospective buyers (including ARAMCO) regularly.

This is the best and surest way to learn of opportunities, particularly with firms which are either subcontracting to ARAMCO, working with Getty, or the Japanese consortia that have oil concessions. It is not advisable to rely on an agent to find new business.

### **Ministry of Industry and Electricity (MI&E)**

The Ministry of Industry and Electricity is responsible for licensing of joint ventures, and works in conjunction with the Saudi Industrial Development Fund (SIDF) and the Ministry of Finance, to review proposals and administer loans and grants.

## **Saudi Basic Industries Corporation (SABIC)**

Since many of the key primary and secondary industries in the master plan could not be developed by private industry, the Saudi Government set up SABIC in 1976 to spearhead planning, construction and operation of primary petrochemical and associated hydrocarbon industries. Iron, steel and aluminum or any other industry deemed to be beyond the resources of the private sector were also placed in their mandate. Their authority includes marketing the products of the basic industries, particularly natural gas, the principal feedstock. To this point, SABIC ventures are being executed as joint ventures between it and major multinationals. The foreign partners are responsible for design and construction of the plants, which are then executed by prime contractors or project managers of their choice. The plants, such as Yanpet (Mobil) and Yanbu, are being let on a project-management basis (Bechtel), and some buying has been done in Canada.

SABIC is now studying a number of new ventures, including some within the Gulf Co-operation Council. The total number of industries under study is estimated at 120. As these projects move forward, SABIC is expected to encourage construction by Saudi joint-venture companies, and a centralized purchasing system may be developed.

## **Royal Commission for Jubail and Yanbu (RCJY)**

This Commission was established in 1975 to spearhead the first phase of Saudi industrialization. As an indication of its importance, the former King authorized the Commission to bypass the Council of Ministers and report directly to the Crown Prince. The Commission's responsibilities include industrial planning, plus the infrastructure and housing for the Industrial City of Jubail on the east coast, and Yanbu on the west coast (ultimate population of 150,000 and 350,000 respectively). The infrastructure includes all services for the cities plus the sea ports, airports, roads and right-of-way for the trans-peninsular pipelines systems.

Arabian Bechtel and Saudi Arabian Parsons have been retained by the Commission for the required master plan development, and the technical and managerial aspects for achieving the goals of the master plan. Both firms have computerized registration/tendering systems. It is necessary to visit them and collect information on the programs for each city. Purchasing preferences are given to Saudi joint-venture companies.

It should be noted that neither Bechtel nor Parsons have been given responsibility for the SABIC plants, which will be built outside Jubail and Yanbu. On the other hand, they do have responsibility for promoting joint ventures in the adjacent industrial parks. Property and services in the parks are available under attractive terms, which include interest-free loans and grants.

## **2. TELECOMMUNICATIONS, ELECTRONICS AND AVIONICS**

### **a) The Opportunity**

Saudi Arabia is one of the few countries that can afford to take advantage of the spectacular opportunities that telecommunications technology offer, and it is doing so at an impressive rate. In the six and one-half years since the end of the first Five-Year Plan in 1976, telephone lines in service have quadrupled from 126,000 to more than half a million in 1981 and will more than double again by the end of the current Five-Year Plan in early 1985. State-of-the-art exchanges have been installed to allow automatic domestic and international service, and the first phase of the 18,000-subscriber mobile telephone system expansion (from the present 2,000 subscribers) has been slated for completion by 1985.

Since 1976, telex lines have gone from 200 to about 15,000 at present, and will double by 1985. As an indication of the size of this project, the number of telex multiplexers required is equal to the entire world production in a year.

Also intended for this Five-Year Plan period, are a spectrum monitoring system, another satellite earth station (in Jeddah), and upgrading (from 12 to 60 MHz) the existing coaxial cable linking Kuwait, Damman, Riyadh and Taif and extending it by some 2,500 km to include Medina, Tabuk and some of the Gulf States. In addition to this work by the Ministry of Post, Telegraph and Telephones (PTT), there is the expansion of radio and television services by the Ministry of Information. This will include second radio and TV services, and a direct-broadcast, television satellite.

Other ministries, such as Defence and Aviation, National Guard, Foreign Affairs and Interior, have ambitious external telecommunications plans. Many of these are suspended at present to enable a review to be completed of the possibility of PTT supplying some, or all of the desired services. The plan for restructuring the air traffic control system of the Kingdom, by adding three terminal radar installations, 13 en-route radar systems and navigation aids, has not been delayed.

The above ministries have plans for expanding communications systems within their existing installations, bases and compounds. Similar requirements exist in other larger organizations such as Saudia Airlines staff cities, oil company compounds and hospitals, including requirements for cable distribution of TV programming. For all such installations, there is a need for electronic surveillance systems.

For the period beyond 1985, PTT plans to add another 750,000 lines in the 1985 to 1990 period and offer service to 300 more villages, in addition to the 400 cities and villages which will be served by 1985.



Bell Canada is working on the telephone-system expansion and much of the equipment came from the Phillips-Ericsson joint venture,\* but there will be opportunities for the PABXs, data modems and so on, which will be used by the subscribers. There will be opportunities for consultants and equipment suppliers in the cable/microwave trunk expansion, the internal communications system of ministries and large organizations, the broadcasting facility expansion, and in the market for miscellaneous equipment engendered by the growth in the telecommunications base.

#### **b) Recent Canadian Marketing Activity**

The largest element of Canadian telecommunications sales to the Kingdom is the five-year, \$1.2 billion Bell Canada Limited contract (which ended in 1982) to supply management and training services to the Saudi Telephone Company and its \$1.6 billion extension, signed in April 1983. Sales of miscellaneous commercial telecommunications equipment have increased from \$2.5 million in 1978 to a projected \$6.8 million in 1981.

\* The Phillips-Ericsson joint venture is the joining of two large telecommunications equipment manufacturers based in Holland and Sweden respectively. The original contract was awarded to the joint venture to supply all equipment with Bell as project manager.

Mitel and Northern Telecom are active in Saudi Arabia through agencies, and several other companies have made sales through agents in the United States, often to government organizations. Other firms are in the process of associating themselves with Saudi companies either as agents or as joint-venture partners to bid private mobile telephone or ministerial communications systems. The Canadian Commercial Corporation has been negotiating a government-to-government contract for the development of a Saudi Arabian Spectrum Management organization for the past two years.

## CHART 6

### Total Saudi Imports of Various Telecommunications Equipment

(US\$ 000's)

	Commodity Description	1981	% of Total Imports
1.	Telecommunications equipment, n.e.s. and parts, n.e.s. of and accessories	\$460,748	1.31
	Sweden	120,790	26.22
	Netherlands	104,147	22.60
	U.S.A.	75,454	16.38
	Canada	3,674	0.80
2.	Telecommunications wire	741,733	2.10
	Japan	222,842	30.04
	Federal Republic of Germany	107,990	14.56
	U.S.A.	88,360	11.91
	United Kingdom	60,160	8.11
	Canada	7,088	0.96
3.	Line telephone and telegraph apparatus	320,361	0.91
	Sweden	117,842	36.78
	Netherlands	100,726	31.44
	U.S.A.	34,230	10.68
	Federal Republic of Germany	16,362	5.11
	Canada	3,122	0.97
4.	Television, radio-broadcasting radiotelegraphic and radiotelephonic transmitters and transmitter receivers	29,041	0.8
	France	20,862	71.84
	Federal Republic of Germany	2,086	7.18
	Belgium-Luxembourg	1,385	4.77
	U.S.A.	1,303	4.49
	Canada	—	—
5.	Telecommunications equipment, n.e.s.	47,017	0.13
	U.S.A.	21,375	45.46
	Federal Republic of Germany	6,374	13.56
	United Kingdom	6,086	12.94
	Canada	19	0.04
6.	Parts and accessories	39,723	0.11
	U.S.A.	15,202	38.27
	Japan	8,273	20.83
	France	6,422	16.22
	Canada	521	1.31

Source: External Affairs, International Trade Data Bank  
Based on United Nations Data



### c) Market Impediments and Advantages

Language, distance and different business practices are the main impediments in this market. For small companies, the cost of becoming established in business in the Kingdom is an obstacle.

The high-profile presence of Bell Canada in the country will lend credibility to the Canadian telecommunications industry. The fact that many communications engineers are North American-trained will assist Canadian companies dealing in similar standards of equipment and procedures.

### d) The Competitors

Phillips-Ericsson won the original \$2.25 billion contract in 1977 to supply and install the equipment for the Telecommunications Expansion Project with Bell as project manager. A \$420 million contract was signed in February, 1981, with these companies for most of the additional lines called for in the current Five-Year Plan. The total value of orders so far, received by the consortium is \$4.5 billion.

Since the Phillips-Ericsson joint venture won the US\$165 million contract to supply the first phase of the mobile telephone system (18,000 units hooked to existing or planned networks), they are favoured to win the remaining portion in 1984-85. At least one Canadian manufacturer is looking into the possibility of making its system compatible so that it can submit a bid.

For the telex network expansion, the Beta Company (a Saudi organization) will supply the additional line equipment needed, drawing largely on Siemens and its subsidiaries, who will supply the telex machines directly. Beta will operate and maintain the system.

A French-led consortium won the Arabsat satellite system contract and is a strong contender to win the ground control station contract. Thomson-CSF and other French firms are well-established and promoting aggressively. A government-to-government agreement between the Kingdom and France, has furthered French domination of the broadcasting market exemplified by the French-designed Riyadh television complex, nearing completion under French supervision. Major American, British and Japanese companies are well-established in the Kingdom. (See Table 6, page 00).

### e) Action Plan\*

As Saudi Arabia enters the fourth year of its Third Five-Year Development Plan, it is opportune for Canadian firms to actively market their products and services. Due to the complexity and diversity of the telecommunications sector, Canadian firms must be prepared to devote themselves to establishing contact with prime buyers, agents and government officials to obtain contracts under this and subsequent Development Plans.

To assist Canadian firms to become established in and familiar with the Saudi Arabian market, the federal government plans the following initiatives:

### Timing

### Activity

1983/84	i) <i>Mobile Telephone System</i> – The present 18,000-unit phone system has a 60,000-unit target, presenting an opportunity for Canadian equipment suppliers. It will be ascertained whether Canadian equipment is compatible with the Nordic system installed by Phillips-Ericsson and whether there is sufficient time to bid for the next phase in 1983 or 1984. <b>(GMT/Post/EELA)</b>
1983/84	ii) <i>Arabsat</i> – Investigate the terms Arabsat will use to establish ground receiving stations. Canadian participants in this program will be informed when the specifications are clarified, probably in 1984. Joint-venture assembly in one or more of the Arabsat member countries may be investigated. <b>(Post/GMT)</b>
1983/84	iii) <i>Aviation</i> – Utilize opportunities to promote Canadian ground-to-air communications and navigational equipment afforded by the agreement to provide air traffic control training to Saudi students and reinforce these efforts through incoming missions and ministerial visits. <b>(GMT/Post)</b>
1984/85	iv) <i>Closed communications systems</i> – Examine the feasibility of a mission, consisting of an operating company and radio and wire telephone equipment manufacturers, to visit oil companies, the Royal Commission, and government ministries (e.g. Interior), to ascertain their requirements and visit a selection of potential agents/joint-venture partners in 1984 or later. <b>(GMT/Post)</b>
1983/84	v) <i>Fairs</i> – Plan and co-ordinate Canadian activities for the attendance of appropriate Saudi officials at the International Telecommunications Exhibition in 1983 in Geneva and in 1984 at the Middle East Communication show in Bahrain. <b>(GMT/DOC/EELA)</b>
Ongoing	vi) <i>Exhibits</i> – The Embassy will arrange for an ongoing showplace for modern Canadian telecommunications equipment. <b>(Post/DOC)</b>
1983	vii) Arrange for an incoming Navigational Aids mission from Saudi Arabia. <b>(Post/GMT/EELA/DOT)</b>
Sept. 83	viii) Arrange for the visit to Canada of a Saudi mission to meet with Canadian officials and visit Canadian communication and transportation industry showplace locations. <b>(Post/GMT/EELA/DOT)</b>

\* Contacts, shown in bold letters, are explained in Appendix I, pages 40. to 41.

- 1984/85 ix) Plan arrangements for a seminar where Canadian companies, with experience in the Saudi Arabian market, would be invited to speak to potential exporters on Saudi business practices. **(GMT/DOC)**
- 1985 x) Plan to invite Saudi Arabian Posts and Telecommunications officials to Canada to visit plants and test locations of major equipment manufacturers in 1985. **(GMT/EELA)**

### 3. CEREAL GRAINS, OILSEEDS AND PRODUCTS

#### a) The Opportunity

##### Cereal Grains - General

The Kingdom of Saudi Arabia, for strategic reasons, is determined to increase its agricultural production. (Currently, less than 15 per cent of total food requirements are produced domestically.) Agriculture contributes about 3 per cent to GNP, yet employs more than 20 per cent of the population — the largest single employer in Saudi Arabia.

The current Five-Year Plan (1981-85), has launched a drive toward eventual self-sufficiency in wheat, dairy products, fruit, vegetables, poultry and eggs. Saudi wheat production is assisted by: a government-guaranteed purchase price of \$28 per bushel; interest-free loans for land and machinery; and 50 per cent subsidies on inputs such as fertilizer and irrigation equipment. Output has jumped from about 100,000 tonnes annually in the 1970-74 period, to almost 600,000 tonnes in 1982. Most of this increase occurred within the last three years. Despite this growth, wheat and flour imports have climbed to 1.2 million tonnes or 75 per cent of needs. The goal of self-sufficiency would require a quadrupling (to 280,000 hectares) of the wheat-planted area. New irrigation projects will add about 30,000 hectares of cropland annually, but rapid growth in demand will keep the country dependent on some proportion of imported wheat for the foreseeable future. In the long run, the government's policies will stimulate local production to the degree that imports of wheat and flour will be dramatically reduced.

In the case of coarse grains, barley imports in 1980 totalled almost 1 million tonnes. The rapid growth in imports reflects the growing size of Saudi livestock and poultry production, coupled with relatively constant domestic production of 200,000 to 300,000 tonnes annually. Since total domestic barley requirements are estimated to be 600,000-750,000 tonnes, it is suspected that substantial quantities of barley have been re-exported. The long-run prospects for coarse grains are bright, with increasing investment in livestock production, and less support for domestic barley vs. wheat production.

The Saudi-Arabian Grain Silos and Flour Mills Organization (GSFMO) has recently released the first flour milled from domestic wheat, which will help reduce Saudi dependence on imports of flour in the future. GSFMO is the major importing agency for wheat and flour. Under its purchasing system, the organization normally tenders for quantities of grain, for delivery 6 to 12 weeks from tender, as opposed to longer-term contracts. With the current volume of imports, tenders are called frequently for quantities up to 100,000 tonnes. Barley imports are handled by the private sector.

Canadian exports of wheat, wheat flour and barley to Saudi Arabia to date have been limited. The GSFMO would like to increase its wheat purchases from Canada since the Saudis are anxious to diversify suppliers and Canada's reputation for quality is well known. In addition, the Saudis, who have attended Canadian International Grains Institute (CIGI) courses, returned with glowing reports — a fact which is advantageous to Canadian suppliers.

Saudi imports of vegetable oils in 1980 totalled more than 113,000 tonnes. Corn and soybean oils accounted for 42,000 tonnes and 15,000 tonnes, respectively. Imports of Canola/rapeseed oil are not listed in Saudi trade statistics, but are lumped in the 46,000 tonnes classified as "other oils". Canadian Canola and its byproducts can be partially or fully substituted for soybeans and other oilseeds, however it is not a familiar product in Saudi Arabia and extensive market development and promotional activity will be required to displace traditional oilseed products.

#### b) The Canadian Industry\*

The Canadian Wheat Board (CWB) is the export-marketing agency for Prairie wheat, oats, and barley, which constitute roughly 80 per cent of Canadian grain exports annually. Export sales are negotiated, either directly by the CWB, or through private grain companies acting as agents. Eastern grains, including Ontario wheat sold through the Ontario Wheat Producers' Marketing Board, are exported by private grain companies. Other Canadian crops such as rye, rapeseed, flaxseed, buckwheat and mustard are also marketed by the private grain trade.

The Canadian International Grains Institute, funded by the CWB and DRIE is an important promotional agency whose purpose is to help maintain and enlarge domestic and export markets for Canadian grains, oilseeds and their products. CIGI offers instructional programs to foreign participants selected from countries purchasing these commodities or with the potential to purchase these commodities and also to Canadians associated with the industry.

The capacity of the Canadian grain-handling and transportation system has been substantially improved in recent years. Reconstruction and expansion has also contributed greatly to the capacity and efficiency of the system.

\* Refer to Appendix III, p. 42 for statistical data.



**c) Recent Canadian Marketing Activity**

Some market development efforts have been undertaken by the CWB and CIGI. Among the major marketing initiatives were two Saudi/CWB/Government-of-Canada sponsored millers' courses, conducted in Winnipeg for 30 young Saudi millers, in 1976 and 1978. Under the guidance of CIGI, Saudi course participants were provided with detailed programs of instruction over two 4-month periods in the milling of Canadian wheat, and given direct exposure to many sectors of Canada's grain industry.

Although a long-term supply agreement with Saudi Arabia has been under active consideration by the CWB since 1974, an agreement has not been finalized to date. The CWB continues to maintain communications with the Saudi Arabian GSFMO and there are hopes that a long-term agreement may yet be concluded. In the interim, the CWB is responding to Saudi tenders for cereal grains, as supplies and forward shipping commitments permit.

Little marketing activity has been carried out to date concerning oilseed or oilseed product exports to Saudi Arabia. Canada's Grain Marketing Office has planned a series of technical seminars to enhance promotional activity in this potential market.

**d) Market Impediments and Advantages**

**i) Cereal Grains**

The major obstacle to be overcome in obtaining a satisfactory share of the Saudi market is the tradition of the Saudi Arabian GSFMO for limiting its purchasing methods to tenders for nearby delivery. Other impediments are the transportation advantage enjoyed by Australia for wheat, and the price advantage for barley enjoyed by the EEC exporters as a result of export subsidies.

One advantage which Canada can exploit is to deal government-to-government through the CWB. Saudi officials favour state trading or, as a minimum, dealing with large, recognized, international organizations which offer a solid reputation, price competitiveness and an ability to deliver on time. The GSFMO will be reluctant to deal with agents of the Canadian Wheat Board unless the agents are themselves large international traders, who can assure that the requirements listed above can be met.

**ii) Oilseeds and Oilseed Products**

Although Canola can be partially or fully substituted for other oilseeds, traditional Saudi preferences will have to be overcome. There are no other trade barriers against imports of Canola into Saudi Arabia, but transportation costs from Canada to Saudi Arabia would be a major factor in the price competitiveness for Canola and Canola products versus traditional oils.

As with many foodstuffs, there are two separate and distinct markets in Saudi Arabia – at one extreme are the "high-priced" supermarkets,

which cater to Westerners and upper income Saudis (accounting for 15 per cent of food sales), and at the other extreme are the small "souk" stores which supply the bulk of the Saudi and expatriate population. At the top end of the market, Canola will compete with corn oil (Mazola) products which are currently well established and enjoy brand loyalty. On the bottom end, competition will be among a whole range of "cheap" oils, e.g. palm and ghee.

An additional constraint in the retail market is the scarcity of firms with the ability to market Kingdom-wide. These firms are invariably well-established Saudi trading houses with both long-standing and exclusive rights to imports and distribution of international brands, e.g. Mazola. This situation often makes it difficult, but not impossible, to introduce new and competing products, requiring time and aggressive marketing.

**e) The Competition and Competition Activity**

Principal competitors in the Saudi wheat market are the U.S., E.E.C. and Australia. Market shares held during the period 1978 to 1980, are the U.S. (43 per cent), E.E.C. (43 per cent) and Australia (14 per cent). Principal suppliers of corn, other than the U.S., are Thailand and Sudan.

Three flour mills were constructed and subsequently managed by Pillsbury U.S.A. on behalf of the Saudi Arabian Government between 1976 and 1978. The presence of Pillsbury in this capacity is of some advantage to U.S. wheat exporters.

Principal suppliers of barley are Australia and the E.E.C.

Soybeans and soybean products, sesame seed, corn oil and olive oil are established products in the Saudi Arabian market, as are several other vegetable oils and meals. Current suppliers of these products, which will remain as Canada's competitors, are the United States, Sudan, and exporters of olive oil, such as Spain, Italy, Greece and Tunisia.

**f) The Action Plan\***

Saudi Arabia represents a sizable potential market for Canadian cereal grains, oilseeds and products due to Saudi interest in diversifying supply. To become established in the Saudi Arabian market, the following activities are planned over the next two years:

Timing	Event
1983	i) The Grain Marketing Bureau may extend an invitation to Saudi Arabian oilseed crushers, refiners and feed manufacturers to come to Canada in 1983 and participate in a technical seminar to familiarize them with

\* Contacts, shown in bold print, are explained in Appendix I, pages 40 to 41

	Canadian Canola products, the technology involved in processing Canola, and to encourage the use of Canola products over traditional imports. <b>(CWB/TGD)</b>
1984	ii) A mission led by Wheat Board officials, is planned to visit the Kingdom in 1984 to begin discussions with the Saudi Arabian Grain Silos and Flour Mills Organization. <b>(GMT/TGD/CWB)</b>
Ongoing	iii) Continue to assist Canadian firms to discuss and seek market opportunities in the development and management of the Saudi Arabian grain-handling and processing sector. <b>(GMT/TGD)</b>
Ongoing	iv) Places will be offered for Saudi flour and grain industry personnel in future courses conducted by the Canadian International Grains Institute. <b>(CIGI/TGD/GMT)</b>
1984/85	v) Lead a Canola mission to the Middle East in 1984-85. <b>(GMT/TGD)</b>

## 4. ELECTRICAL ENERGY EQUIPMENT

### a) The Opportunity

The government of Saudi Arabia recognized in its early planning that electrical power was essential to the country's economic and industrial diversification and development. Indeed, electrical power would play a major role in raising the standard of living. The Ministry of Industry and Electricity provides central planning with Electrico and SCECO (Saudi Consolidated Electrical Company) to handle power generation, transmission and distribution. Electrico concentrates on bringing power to rural areas. SCECO East, formed in 1976, by the amalgamation of 26 small companies, was the first step in the establishment of a national power grid. There are also SCECOs in the Central, Southern and Western regions, which are in the process of consolidating the existing services.

Rapid industrial growth has meant a 36-per-cent per annum increase in peak-load rates in the period 1975-1980. Government subsidies have resulted in a doubling of per capita power consumption. Investment of over \$1 billion was made in 1980 to upgrade the electrical system in the Kingdom.

The pressures to supply the escalating demands of customers, have meant that consolidation of power systems into a national grid has been delayed. In addition, the Eastern region has adopted American standards (single phase), whereas other regions have opted for the European (three-phase) system — a situation that will make consolidation more difficult.

The current Five-Year Development Plan (1980-85) sets out the government's objectives for the electrical sector as follows:

- i) provision of electrical service to all viable population centres and industries; and
- ii) development of a comprehensive electrical power system capable of continuous growth to meet future demands.

To attain these objectives, the Plan envisages:

- i) expansion of generating capacity by about 8,000 MW using gas and steam turbines;
- ii) installation of more than 6,000 km of transmission and sub-transmission lines;
- iii) distribution of power to 600,000 new consumers;
- iv) a comprehensive administrative and resource-development program to develop skilled Saudi manpower, to establish information systems, and to conduct further developmental studies.

Basic infrastructure (generating plants and high-voltage transmission lines) is in place, particularly in the Eastern Province. In some other regions, the adoption of European standards closes the door on many Canadian manufacturers. In the Eastern region, opportunities will centre on supplying high-tension cable and significant quantities of all types of materials (low-tension cables, switches, transformers, poles, and meters) related to distribution, as there is a major emphasis toward electrification of rural villages. Generating capacity is adequate for the foreseeable future, although there will be some demand for gas and steam turbines, given a forecast three-fold increase in peak demands by 1990.

In the other regions (Central, South and West), the situation, while less clear, would seem to offer more optimism, simply because regional SCECOs are less well established. SCECO South and West offer the best opportunities (SCECO Centre having opted for European standards).

SCECO South is embarking on a development project worth about \$15 to \$20 billion over the next 10 years. This region will, in all probability, be the next centre of growth (after Jubail and Yanbu) with the cities of Abha and Khamis Mushayt being joined into one large city of 350,000 persons, with new industries, colleges and medical facilities being established. Opportunities cover the whole spectrum of equipment for generation, transmission and distribution.

SCECO West has been established recently. It appears that the major construction boom in the Jeddah region has peaked but remains significant, as SCECO consolidates the operations of several existing power companies. Opportunities in the Western region are brighter in the industrial city of Yanbu, whose population is projected to be in the neighbourhood of 175,000 by the year 2000, including other outlying cities and villages.



## b) Recent Canadian Marketing Activity

Other than being invited to tender, and being successful in some bids, Canadian companies in the industrial electrical industry and wire and cable sub-sectors have mostly been inactive in this potential market. Due to the strategy employed by Saudi buyers, only large companies will put up the required time and effort in preparing quotations. Small companies cannot afford the expenses incurred, and therefore do not reply to requests. Until the buyer's strategy changes, small manufacturing businesses will not pursue trade with Saudi Arabia. This was made evident in the evaluation of the Qassim project, where there was important Canadian involvement. Recently, a major provincial utility has bid on two projects in the southern area of the Kingdom.

## c) Success Stories

Some companies have been successful in exporting their Canadian-made products to Saudi Arabia. McGraw-Edison has shipped pole-line hardware, while Canada Wire and Cable and Phillips Cables have supplied power cables. Westinghouse Electric Corporation of the U.S.A. has received a Letter of Intent for 50-MW gas turbines. Since these turbines are manufactured in Canada under a world mandate agreement between the sister companies, it is a boost for Canadian production facilities.

Alcan is in negotiations for constructing an aluminum wire manufacturing plant in Saudi Arabia. Probably the best known project undertaken with Canadian involvement was the \$1-billion rural electrification project in the Qassim region. The SNC group provided engineering design and project management services on behalf of the state-run Electrico organization.

## d) Market Impediments and Advantages

Based on interviews with Saudi companies and the assessment of the Qassim project, the following major obstacles to success have been identified:

- i) failure to aggressively pursue potential opportunities from Canada;
- ii) lack of technical/sales people actually in the Kingdom to promote and pursue opportunities on site;
- iii) poor cohesion among Canadian suppliers when required to bid on large, lump-sum contracts;
- iv) high prices, based on high labour, transportation and materials cost and unfavourable exchange rates vis-à-vis European and Japanese competitors;
- v) arrangements with parent companies which preclude the Canadian subsidiary of multinational firms from bidding;
- vi) lack of national standards in the Kingdom, which results in some regions (e.g. Qassim) adopting European three-phase power and gas-cooled, switch-gear, that are not manufactured in Canada;

vii) distance from the market and difficulties in direct shipping.

There are some advantages for Canadian producers who manufacture to American standards. In the eastern region, this is particularly important and rules out much of the competition from Europe. In addition, there is usually a decided preference for Western goods and equipment. Western consultants are also more highly regarded simply because, in the minds of many Saudis, Western goods, particularly American, represent the pinnacle of sophistication, quality and engineering excellence.

## e) Competition

There is competition from the U.S., Europe and the Far East. In some regions, the decision to adopt European standards has directly resulted in an increased market share for the Europeans. In some regions, U.S.-produced equipment is favoured, since only U.S. standards are acceptable. This is particularly true in the Eastern province, where the influence of ARAMCO is all-pervasive. The other major competitors are contractors and suppliers from the Far East, whose labour rates, ability to produce goods and supply large numbers of trained technical personnel, able and willing to work in the Kingdom under difficult conditions, gives them a decided advantage over Canadian exporters.

## f) Action Plan\*

The Federal government's action plan for the next two to three years is aimed at assisting Canadian firms to compete effectively in the Saudi market, as follows:

Timing	Activity
Ongoing	i) Under PEMD B (market identification), companies will be assisted to investigate the market and identify specific export opportunities. <b>(GMT/GMEE)</b>
Ongoing	ii) The Embassy will continue to identify potential Saudi partners and agents to represent interested Canadian companies. <b>(Post)</b>
Ongoing	iii) Participation in trade shows will be increased through the use of PEMD C (trade fairs) to foster awareness of Canadian capability, and to provide the opportunity to meet potential Saudi partners and identify market opportunities. <b>(GMEE/GMT)</b>
1984	iv) An electrical trade mission to Saudi Arabia and the Middle East is planned to gather commercial information and establish contacts. Priority will be given to obtaining information on specific electrical contract opportunities. <b>(GMT/GMEE)</b>
Jan. 84	v) Participate in the Middle East Electricity and Electronics Exhibition in Kuwait. <b>(GMEE/GMT)</b>

\* Refer to Appendix I, page 40 for address.

## 5. OTHER SECTORS

Export opportunities are available in other sectors, including: (i) mineral development, (ii) education, (iii) agriculture (iv) forestry products, and (v) light industries. More information can be obtained from the Middle East Trade Development Division (GMT)\*, or the Post in Jeddah, Department of External Affairs.

### i) Mineral Development

The Saudi Arabian Five-Year Plan, 1981-85, emphasizes the national requirement to develop the country's non-ferrous metals and minerals industry. These developments are under the supervision of the Director General of Mineral Resources, located in Jeddah, in the Ministry of Petroleum. For many years, the U.S. Geological Survey has been active and a staff of Saudi geologists and geophysicists has been built up. Technical assistance has also been provided by the French Bureau de Recherches Géologiques et Minières (BRGM), which has helped the establishment of two subsidiaries of Petromin in drilling and geophysical work. More recently contracts for technical assistance have been awarded to Rio Tinto Zinc and the British Steel Corporation. The existence of metal deposits in the ancient rocks of the west of the country has been known since early times. Gold, copper, lead, zinc, silver and iron ore are all possible targets for development, although no deposits of a size and quality that unquestionably would justify production, have yet been found.

The mining code lays down three stages of development, requiring in turn a reconnaissance permit, an exploration licence and a mining lease. In both the latter two stages, Petromin will expect to participate normally with 50 per cent of the operation. In addition to the work in progress in the Western Province, Petromin is reported to be considering the possibilities of mineral discoveries in the sedimentary rocks of the Eastern Province and in the bed of the Red Sea. Of non-metallic minerals, large deposits of phosphates are known in the northern part of the country, and there has already been extensive quarrying of limestone and gypsum for the construction industry.

Mapping of sedimentary and phanerozoic rocks of the Central and Eastern regions, studies in geomorphology, classification of the Arabian shield formations, as well as a study of the Red Sea Coastal Plan and Shelf, will also be required. (See Appendix II, page 42 for a list of existing and new mine operations.)

### ii) Education

High priority has been attributed to education and training under the current Five-Year Plan and this sector offers exciting opportunities for Canadian companies. Higher education, particularly in the fields of engineering, science, medicine, commerce, administration and vocational training, is receiving particular emphasis. Thirty-eight billion dollars will be spent over the period of the Plan. In an attempt to diversify away from American and British suppliers, Canadians will be in an excellent position to capitalize on opportunities for sales of equipment such as language and science laboratory equipment and audio-visual software. Faculty exchanges and joint research projects will continue to provide important linkages with the western world.

### iii) Agriculture

To become self-sufficient in agricultural products and services, the Saudi market offers a unique challenge to Canadian exporters. At present, 80 to 90 per cent of its food requirements must be imported. As a late entrant to a highly competitive market, Canada's share should be increased on a gradual basis by companies that offer a wide range of agricultural and food products. In addition, projects in the dairy and poultry business appear to be on the increase. Twelve commercial dairy farms have been established, with another 16 under consideration. Massive loans are available to Saudi partners in joint ventures with foreign companies as the country attempts to reduce its high import bill. Wheat production is another key area, however. Consistent and greater use of fertilizers and seed varieties must be undertaken if Saudi Arabia is to increase production of cereal grains to 60,000 hectares.

### iv) Forestry Products

Saudi Arabia has become a good market for Canadian forestry products. Canadian exports of softwood lumber for instance increased from 99,279 MBF, valued at \$36 million in 1981, to 169,287 MBF valued at \$62.5 million in 1982. Other forestry products exports in 1982 were container board (\$515,000), wrapping paper (\$3,995,000), sanitary paper (\$717,000), tissue and thin paper (\$169,000), wood pulp (\$24,000), softwood plywood (\$315,000), millwork (\$511,000), doors (\$318,000), and some cedar shakes.

The Saudi market for lumber is very competitive and dominated by large importers who deal directly with major suppliers rather than agents. Metric sizes are required. Asian producers dominate Saudi Arabia's softwood plywood market with highly competitive prices and good shipping arrangements. A recent plywood mission to the Kingdom determined that prospects for Canadian plywood sales are marginal.

\* Contacts, shown in bold print, are explained in Appendix I, pages 40 to 41.



Despite the strong position of Finland and Sweden in the country's paper market, opportunities exist for products other than newsprint, if prices are competitive and sufficient efforts are made to establish a good working relationship with the handful of large importers. Finland supplies 26,000 MT of Saudi Arabia's 30,000 MT yearly requirement of newsprint. Canadian newsprint is not accepted in Saudi Arabia because it is not sufficiently bright and special production runs are not warranted by the size of the market.

#### **v) Light Industry**

A national priority of the Saudi government is to develop private enterprise, with participation by government in large projects where necessary. The Saudi Industrial Development Fund was established in 1974 to support and promote industrial development in the Kingdom, and to

this end it provides up to 50 per cent of the capital for approved projects. The loans available extend to 15 years, depending on the requirements of the project and of the projected cash flow. The only charge levied is an administrative fee intended to cover the cost of services rendered, including the processing and monitoring of loans.

Since the years of the Second Plan (1975-80), there has been considerable expansion of manufacturing activity, led by cement and construction materials. The government recently issued a list of industries for which applications cover the total of licences which the government is prepared to grant. It is likely, however, that some of the applicants are still seeking foreign partners with the necessary managerial and technical expertise.

### III. TABLES AND APPENDICES

TABLE 1

#### Average World Crude Oil Production

(Thousand barrels per day)

	1978	1979	1980	1981	1982	% Change vs. 81
World Total	60,335	62,812	59,670	58,910	55,869	- 5.2
<b>Total OPEC</b>	<b>29,898</b>	<b>30,825</b>	<b>26,841</b>	<b>22,491</b>	<b>18,445</b>	<b>- 18.0</b>
(Major Producers)						
Algeria	1,225	1,175	1,016	808	702	- 13.5
Iran	5,207	3,101	1,467	1,316	1,964	+ 49.2
Iraq	2,629	3,434	2,638	898	923	+ 2.8
Indonesia	1,637	1,595	1,576	1,604	1,339	- 16.5
Kuwait	2,098	2,497	1,652	1,125	828	- 26.3
Libya	1,993	2,066	1,785	1,117	1,150	+ 3.6
Nigeria	1,910	2,303	2,057	1,445	1,295	- 10.4
<b>Saudi Arabia</b>	<b>8,292</b>	<b>9,505</b>	<b>9,900</b>	<b>9,811</b>	<b>6,450</b>	<b>- 34.3</b>
U.A.E.	1,833	1,831	1,709	1,501	1,214	- 23.6
Venezuela	2,163	2,356	2,167	2,101	1,891	- 10.1
Total Non-OPEC	30,437	31,987	32,829	36,420	37,425	+ 2.7
(Major Producers)						
U.S.S.R.	11,428	11,703	12,010	11,800	11,921	+ 1.0
U.S.A.	8,680	8,544	8,569	8,560	8,670	+ 1.2
China	1,917	2,155	2,119	2,017	2,023	+ 0.2
<b>Canada</b>	<b>1,324</b>	<b>1,496</b>	<b>1,412</b>	<b>1,281</b>	<b>1,241</b>	<b>- 3.4</b>
Mexico	1,207	1,461	1,936	2,313	2,749	+ 18.8
Britain	1,082	1,568	1,619	1,860	2,124	+ 15.7

Source: *Oil and Gas Journal*, March 1981; *Petroleum intelligence Weekly*, Feb. 22, 1982 and Feb. 28, 1983.



TABLE 2

## Saudi Arabia Imports From the Top 15 Countries of Origin

(\$000 U.S.)

Country of Origin	Rank	1979	% Total	Rank	1980	% Total	% Change	Rank	1981	% Total	% Change
World		24,462,016	100.00		30,170,416	100.00	23.34		35,243,440	100.00	16.81
Canada	18	214,767	0.88	22	265,440	0.88	23.88	15	379,900	1.07	43.01
U.S.A.	1	4,841,026	19.79	1	6,041,600	20.02	24.80	1	7,553,599	21.43	25.03
Japan	2	3,875,760	15.84	2	5,412,506	17.94	39.65	2	6,451,315	18.30	19.19
West Germany	3	2,684,607	10.97	3	2,739,752	9.08	2.05	3	3,366,267	9.55	22.87
Italy	4	1,799,093	7.35	4	2,208,711	7.32	22.77	4	2,366,300	6.71	7.13
United Kingdom	5	1,737,867	7.10	5	1,954,061	6.48	12.44	5	2,188,190	6.21	11.98
France	6	1,116,749	4.57	6	1,635,554	5.42	46.46	6	2,021,589	5.74	23.60
Netherlands	7	744,815	3.04	7	955,149	3.17	28.24	8	930,794	2.64	- 2.55
China (Taiwan)	8	592,080	2.42	9	672,826	2.23	13.64	9	790,989	2.24	17.56
Sweden	9	511,255	2.09	11	542,279	1.80	6.07	12	530,439	1.51	- 2.18
Republic of Korea	10	475,498	1.94	8	724,110	2.40	52.28	7	1,019,468	2.89	40.79
Switzerland	11	449,413	1.84	12	523,451	1.73	16.47	10	679,835	1.93	29.88
Bel.-Lux.	12	443,281	1.81	13	473,151	1.57	6.74	13	517,182	1.47	9.31
Lebanon	13	347,813	1.42	15	374,666	1.24	7.72	16	379,154	1.08	1.20
Not Spec.	14	341,256	1.40	21	267,820	0.89	- 21.52	30	145,931	0.41	- 45.51
Spain	15	334,114	1.37	10	542,394	1.80	62.34	11	575,860	1.63	6.17
Australia	20	259,794	1.06	16	368,075	1.22	41.68	14	496,081	1.41	34.78

Source: International Trade Data Bank  
 External Affairs  
 United Nations Data

**TABLE 3**

**Top 50 Import Commodities by Value - 1981**  
**With Three Major Trading Countries and Market Share**

<b>Rank</b>	<b>Commodity Description</b>	<b>Value \$000 U.S.</b>	<b>% Total</b>
	Total Imports	35,243,440	100.00
1.	Motor vehicles for the transport of goods or materials	1,538,985	4.37
	Japan	636,140	41.34
	Federal Republic of Germany	476,894	30.99
	U.S.A.	291,517	18.94
	Canada	7,232	0.47
2.	Structures and parts of structures, n.e.s., of iron, steel or aluminum	1,411,267	4.00
	U.S.A.	250,857	17.78
	Federal Republic of Germany	194,022	13.75
	Japan	179,394	12.71
	Canada	6,611	0.47
3.	Non-electric parts and accessories of machinery	1,074,916	3.05
	U.S.A.	488,580	45.45
	Federal Republic of Germany	132,683	12.34
	Japan	112,319	10.45
	Canada	872	0.08
4.	Tubes, pipes and fittings of iron or steel	1,070,827	3.04
	Japan	383,950	35.86
	U.S.A.	186,606	17.43
	Federal Republic of Germany	147,940	13.82
	Canada	352	0.03
5.	Passenger motor cars (other than public-service type vehicles), including vehicles designed for the transport of both passengers and goods.	1,047,198	2.97
	Japan	551,725	52.69
	U.S.A.	328,360	31.36
	Federal Republic of Germany	89,305	8.53
	Canada	14,402	1.38
6.	Aircraft and associated equipment, and parts, n.e.s.	923,003	2.62
	U.S.A.	564,844	61.20
	U.K.	242,870	26.31
	Federal Republic of Germany	66,428	7.20
	Canada	104	0.01
7.	Lime, cement, and fabricated construction materials (except glass and clay materials)	826,416	2.34
	Spain	179,438	21.71
	Italy	159,519	19.30
	Japan	157,620	19.07
	Canada	7,805	0.94
8.	Equipment for distributing electricity	798,750	2.27
	Japan	228,939	28.66
	Federal Republic of Germany	123,535	15.47
	U.S.A.	107,329	13.44
	Canada	7,224	0.90



9.	Jewellery, goldsmiths' and silversmiths' wares, and other articles of precious or semi-precious materials, n.e.s.	797,328	2.26
	Italy	395,037	49.55
	Bahrain	136,746	17.15
	Lebanon	81,085	10.17
	Canada	199	0.02
10.	Heating and cooling equipment and parts thereof, n.e.s.	758,703	2.15
	Japan	366,069	48.25
	U.S.A.	200,817	26.47
	Republic of Korea	86,333	11.38
	Canada	2,675	0.35
11.	Barley, unmilled	712,790	2.02
	France	361,677	50.74
	Australia	165,365	23.20
	Turkey	37,845	5.31
	Canada	6,867	0.96
12.	Civil engineering and contractors' plant and equipment and parts, n.e.s.	702,819	1.99
	U.S.A.	256,613	36.51
	Japan	182,739	26.00
	Federal Republic of Germany	80,132	11.40
	Canada	543	0.08
13.	Electrical apparatus for making or breaking electrical circuits, etc.	696,565	1.98
	U.S.A.	157,870	22.66
	Federal Republic of Germany	150,171	21.56
	Japan	134,250	19.27
	Canada	3,018	0.43
14.	Furniture and parts	663,484	1.88
	Italy	213,124	32.12
	U.S.A.	153,415	23.14
	Federal Republic of Germany	72,717	10.96
	Canada	3,121	0.47
15.	Parts and accessories, n.e.s. of motor vehicles	656,703	1.86
	U.S.A.	235,549	35.87
	Federal Republic of Germany	178,840	27.23
	Japan	141,303	21.52
	Canada	81	0.01
16.	Iron and steel bars, rods, angles, shapes and sections (including sheet piling)	641,465	1.82
	Japan	276,555	43.11
	Republic of Korea	131,231	20.46
	Qatar	67,759	10.56
	Canada	13	0.00
17.	Fabrics, woven, of man-made fibres (not including narrow or special fabrics)	628,117	1.78
	Japan	401,529	63.93
	Republic of Korea	73,529	11.71
	Taiwan	20,870	3.32
	Canada	4	0.00

18.	Live animals, chiefly for food	564,283	1.60
	Australia	112,948	20.02
	Syria	110,004	19.49
	Somalia	105,834	18.76
	Canada	475	0.08
19.	Rotating electric plant and parts thereof, n.e.s.	500,349	1.42
	U.S.A.	221,709	44.31
	Japan	74,675	14.92
	Federal Republic of Germany	72,150	14.42
	Canada	1,415	0.28
20.	Mechanical handling equipment, and parts n.e.s.	500,273	1.42
	U.S.A.	152,658	30.51
	Japan	97,270	19.44
	Federal Republic of Germany	61,291	12.25
	Canada	1,152	0.23
21.	Meat and edible meat offals – fresh, chilled or frozen	475,922	1.35
	France	149,190	31.35
	Brazil	65,086	13.68
	Australia	65,003	13.66
	Canada	169	0.04
22.	Telecommunications equipment, n.e.s. and parts	460,748	1.31
	Sweden	120,790	26.22
	Netherlands	104,147	22.60
	U.S.A.	75,454	16.38
	Canada	3,674	0.80
23.	Household type, electrical and non-electrical equipment	447,836	1.27
	U.S.A.	143,137	31.96
	Japan	109,403	24.43
	Italy	54,208	12.10
	Canada	1,016	0.23
24.	Electrical Machinery and apparatus		
	U.S.A.	171,143	42.71
	Japan	53,887	13.45
	Federal Republic of Germany	38,328	9.57
	Canada	731	0.31
25.	Road motor vehicles, n.e.s.	390,427	1.11
	U.S.A.	225,420	57.74
	Japan	57,781	14.80
	Federal Republic of Germany	55,900	14.32
	Canada	11,068	2.83
26.	Sugar and honey	375,730	1.07
	Taiwan	86,362	22.99
	France	80,419	
	Czechoslovakia	75,799	
	Canada	—	—
27.	Other machinery and equipment specialized for particular industries and parts, n.e.s.	359,669	1.02
	U.S.A.	126,560	35.19
	Federal Republic of Germany	72,270	20.09
	Italy	43,427	12.07
	Canada	76	0.02



28.	Watches and clocks	335,080	0.95
	Japan	149,099	44.50
	Switzerland	118,458	35.35
	Hong Kong	48,164	14.37
	Canada	2	0.00
29.	Outergarments, mens' and boys' textile fabrics (other than knitted or crocheted goods)	334,851	0.95
	Taiwan	97,952	29.25
	Hong Kong	44,920	13.41
	China (People's Republic)	34,644	10.35
	Canada	117	0.03
30.	Medicinal and pharmaceutical products	322,821	0.92
	U.K.	68,972	21.37
	U.S.A.	51,375	15.91
	Switzerland	49,980	15.48
	Canada	1,407	0.44
31.	Pumps (including motor and turbo pumps) for liquids	319,587	0.91
	U.S.A.	96,864	30.31
	Japan	52,177	16.33
	France	46,140	14.44
	Canada	538	0.17
32.	Floor coverings	319,087	0.91
	U.S.A.	109,322	34.26
	Belgium-Luxembourg	39,746	12.26
	Japan	30,290	9.49
	Canada	896	0.28
33.	Rubber tires, tire cases, interchangeable tire treads, inner tubes and tire flaps, for wheels of all kinds	307,388	0.87
	Japan	144,542	47.02
	France	50,142	16.31
	U.S.A.	32,866	10.69
	Canada	926	0.30
34.	Rice	304,743	0.86
	U.S.A.	182,858	60.00
	Pakistan	77,988	25.59
	Thailand	16,435	5.39
	Canada	—	—
35.	Iron or steel castings, forgings and stampings in the rough state	302,376	0.86
	U.S.A.	118,898	39.32
	Federal Republic of Germany	35,658	11.79
	Japan	31,018	10.26
	Canada	765	0.25
36.	Electric power machinery	301,446	0.86
	Federal Republic of Germany	121,559	40.33
	U.S.A.	49,157	16.31
	Japan	40,143	13.32
	Canada	37	0.01
37.	Fruit and nuts, fresh or dried	294,549	0.84
	South Africa	44,730	15.19
	U.S.A.	31,266	10.61
	Philippines	24,998	8.49
	Canada	71	0.02

38.	Tobacco, manufactured	283,393	0.80
	U.K.	168,724	59.54
	U.S.A.	86,752	30.61
	India	7,640	2.70
	Canada	234	0.08
39.	Household equipment of base metal, n.e.s.	281,170	0.80
	Italy	71,475	25.42
	Japan	50,045	17.80
	U.S.A.	38,735	13.78
	Canada	254	0.09
40.	Gramophones (phonographs), dictating machines and other sound recorders and reproducers	279,000	0.79
	Japan	243,769	87.37
	Hong Kong	10,744	3.85
	Singapore	6,657	2.39
	Canada	15	0.01
41.	Sanitary, plumbing, heating and lighting fixtures and fittings	261,294	0.74
	U.S.A.	61,087	23.38
	Italy	50,013	19.14
	Federal Republic of Germany	27,371	10.48
	Canada	1,212	0.46
42.	Made-up articles, wholly or chiefly of textile materials, n.e.s.	256,095	0.73
	Spain	39,348	15.36
	Pakistan	33,801	13.20
	Italy	33,137	12.94
	Canada	1,254	0.49
43.	Veneer's plywood, "improved" or reconstituted wood and other wood, worked	245,475	0.70
	Republic of Korea	60,035	24.46
	Singapore	31,162	12.69
	Indonesia	21,259	8.66
	Canada	9,144	3.73
44.	Pumps (other than pumps for liquids) and compressors; fans and blowers; centrifuges; filtering and purifying apparatus and parts	243,500	0.69
	U.S.A.	108,193	44.43
	Japan	38,227	15.70
	Federal Republic of Germany	25,124	10.32
	Canada	270	0.11
45.	Outer garments, women's, girls', and infants' of textile fabrics (other than knitted or crocheted goods)	240,342	0.68
	Taiwan	51,177	21.29
	Lebanon	25,290	10.52
	U.K.	22,475	9.35
	Canada	222	0.09
46.	Clay construction materials and refractory construction materials	239,340	0.68
	Italy	79,399	33.17
	Federal Republic of Germany	37,060	15.48
	Spain	35,154	14.69
	Canada	398	0.17



47.	Petroleum products, refined	233,650	0.66
	U.S.A.	65,464	28.02
	Singapore	45,828	19.61
	Netherlands	40,501	17.33
	Canada	375	0.16
48.	Wood, simply worked and railway sleepers of wood	227,806	0.65
	Romania	41,826	18.36
	Sweden	37,155	16.31
	U.S.A.	26,880	11.80
	Canada	22,586	9.91
49.	Measuring, checking, analyzing and controlling instruments and apparatus, parts and accessories	223,372	0.63
	U.S.A.	94,376	42.25
	Federal Republic of Germany	31,407	14.06
	Japan	28,143	12.60
	Canada	332	0.15
50.	Manufacturers of base metal	218,509	0.62
	U.S.A.	56,489	25.45
	Italy	32,246	14.76
	Japan	25,440	11.64
	Canada	400	0.18

Source: External Affairs  
International Trade Data Bank  
Based on United Nations Data

# APPENDIX I

## LIST OF GOVERNMENT CONTACTS

### Primary Contacts

Middle East Trade Development Division (GMT)  
Department of External Affairs  
L.B. Pearson Building  
125 Sussex Drive  
OTTAWA, Ontario  
K1A 0G2

Tel: (613) 593-7043 or  
(613) 593-7029

Commercial Division  
Canadian Embassy  
King Abdul Aziz Street  
Queen's Building – 6th Floor  
P.O. Box 5050  
Jeddah 21422, Saudi Arabia  
Cable: DOMCAN JEDDAH  
Tel: 6434900/4597/4598 / 4587  
6429798  
Telex: 401060 DOMCAN SJ

### Regional Offices

If you have not previously marketed abroad, contact any regional trade officer of the DEPARTMENT OF REGIONAL INDUSTRIAL EXPANSION at the addresses listed below.

#### Newfoundland and Labrador

P.O. Box 8950  
90 O'Leary Avenue  
St. John's, Newfoundland  
A1B 3R9  
Tel: (709) 772-4866  
Telex: 016-4626

#### New Brunswick

Assumption Place  
770 Main Street  
(P.O. Box 1210)  
Moncton, New Brunswick  
E1C 8P9  
Tel: (506) 388-6411  
Telex: 014-2200

#### Nova Scotia

Queen Square  
45 Alderney Drive, 11th Floor  
(P.O. Box 1320)  
Dartmouth, Nova Scotia  
B2Y 4B9  
Tel: (902) 426-3458  
Telex: 019-22525

#### Prince Edward Island

Confederation Court Mall  
134 Kent Street, Suite 400  
(P.O. Box 1115)  
Charlottetown, Prince Edward Island  
C1A 7M8  
Tel: (902) 892-8551  
Telex: 014-44129

#### Québec

Tour de la Bourse  
800, Place Victoria  
37e étage  
Case postale 247  
Montréal (Québec)  
H4Z 1E8  
Tel: (514) 283-5938  
Telex: 052-5737

#### Ontario

P.O. Box 98  
One First Canadian Place  
Suite 4840  
Toronto, Ontario  
M5X 1B1  
Tel: (416) 365-3737  
Telex: 065-24378

#### Saskatchewan

Bessborough Tower  
Room 814  
601 Spadina Crescent East  
Saskatoon, Saskatchewan  
S7K 3G8  
Tel: (306) 665-4318  
Telex: 074-2742



### **British Columbia**

P.O. Box 49178  
Bentall Postal Station  
1101 – 1055 Dunsmuir Street  
Tower IV  
Vancouver, British Columbia  
V7X 1K8

Tel: (604) 666-1434  
Telex: 045-1191

### **Manitoba**

400-3 Lakeview Square  
185 Carlton Street  
(P.O. Box 981)  
Winnipeg, Manitoba  
R3C 2V2

Tel: (204) 949-2300  
Telex: 075-7624

### **Alberta**

Cornerpoint Building  
Suite 505  
10179 – 105th Street  
Edmonton, Alberta  
T5J 3S3

Tel: (403) 420-2944  
Telex: 037-2762

### **Yukon and Northwest Territories**

[Same as Saskatchewan except for  
telephone and telex]

Tel: (306) 665-4358  
Telex: 071-2745

## **Other Federal Government Services**

The Government of Canada has a number of offices  
which are able to provide specific information for  
each priority sector identified in this plan as well as  
in other sectors of interest.

### **Petroleum Related Industries and Electrical Energy Equipment**

Machinery and Electrical Equipment Branch (**GMEE**)  
Energy and Environment Equipment Division  
DRIE  
235 Queen Street  
Ottawa, Ontario  
K1A 0H5 (593-4481)

### **Cereal Grains and Products**

The Grains Marketing Bureau (**TGD**)  
Department of External Affairs  
125 Sussex Drive  
Ottawa, Ontario  
K1A 0G2 (995-8374)

### **Telecommunications, Electronics and Avionics**

Electronics and Aerospace Branch (**EELA**)  
DRIE  
235 Queen Street  
Ottawa, Ontario  
K1A 0H5 (993-4481)

### **Consulting, Engineering and Other Services**

Service Industries Branch (**GSEI**)  
Consulting Services Division  
DRIE  
235 Queen Street  
Ottawa, Ontario  
K1A 0H5 (995-8107)

### **Other Industry Sector Branches**

Food and Consumer Products Industries Branch  
(**EFGP**)  
DRIE  
235 Queen Street  
Ottawa, Ontario  
K1A 0H5 (995-8374)

Resource Processing Industries Branch (**GRPI**)  
(Metals, Minerals, Forest Products, Chemicals)  
DRIE  
235 Queen Street  
Ottawa, Ontario  
K1A 0H5 (992-1015)

Automotive, Marine and Rail Branch (**FAMR**)  
DRIE  
235 Queen Street  
Ottawa, Ontario  
K1A 0H5 (992-2468)

## APPENDIX II

### EXISTING AND NEW MINING OPERATIONS

- 1) Gold Fields Mahd al-Dhahab mines, north of Jeddah, are to be reopened in 1983 for gold production.
- 2) Precious metals exploration is underway at Massane (near the North Yemen border).
- 3) Three hundred million tonnes of iron ore are being examined by the British Steel Corporation as a potential source for Jubail's steel industry. The deposits are located at Wadi Sawwawin near Tabuk, and assessed as having low ore content (40 per cent).
- 4) Extensive phosphate explorations are taking place in the Sirhan Basin and West Thaniyat along the Red Sea coast. The extensive gypsum deposits between Yanbu and Umm Lajj are to be developed to boost local cement production.

## APPENDIX III

### CANADIAN GRAIN EXPORTS TO SAUDI ARABIA

(Thousands of Tonnes)

Crop Year	Barley	Wheat Flour
1976/77	—	.7
1977/78	—	—
1978/79	—	4.6
1979/80	56.6	7.5

Source: Canadian Grain Exports, Canadian Grain Commission.

#### Oilseeds and Oilseed Products

To date, Canadian Canola, Canola oil and Canola meal have not been imported by Saudi Arabia. The following table illustrates the volume of Saudi imports:

	1977 —t—	1978 —t—	1979 —t—
Groundnuts	646	1 449	1 450
Soybeans	588	3 480	3 500
Cottonseed	942	1 363	1 200
Sunflower	120	—	—
Copra	201	287	—
Soy oil	3 266	3 099	4 200
Cottonseed oil	2 878	481	2 000
Groundnut oil	872	249	250
Olive oil	1 343	2 123	3 300
Sunflower oil	73	281	100
Linseed oil	1 955	2 551	2 100
Palm oil	17 519	570	2 000

Source: FAO Trade Yearbook — 1979

## APPENDIX IV

### TRADE FAIRS AND MISSIONS IN OTHER SECTORS

Timing	Activities/Events	Contact
Nov. 83	Display Booth at Baghdad International Trade Fair.	(GMT)
Nov. 83	Lumber and Panel Products Mission to Middle East and North Africa.	(GRPI)
Nov. 83	Information Booth at the Gulf Safety, Security and Fire Equipment Show in Bahrain.	(GMEE/GMT)
Jan. 84	Pulses (dried peas, beans, lentils) Mission to Saudi Arabia and the Middle East.	(EFGP/GMT)
Jan. 84	Information Booth at MEEFEX (Middle East Food Equipment Show) in Bahrain.	(GMT/EFGP)
March 84	Building Material Mission to the Middle East.	(GRPI/GMT)
March 84	Information Booth at the Saudi Transport Show in Bahrain.	(FAMR/GMT)
April 84	Agricultural Equipment Mission to Saudi Arabia, Sudan and Algeria.	(GMEE/GMT)
April 84	Information Booth at the Saudi Agricultural '84 Show in Riyadh.	(GMEE/GMT)
1984-86 (Under Con- sideration)	Specialty Vehicles Mission to Middle East.	(FAMR/GMT)
	Grocery Products Mission to Saudi Arabia in March 1984.	(EFPB/GMT)
	Display Booth at the Saudi Computer '84 Exhibition.	(EELA/GMT)



## APPENDIX V

### GLOSSARY OF ABBREVIATIONS

AGT	— Alberta Government Telephone	GOSPS	— Gas/Oil Separation Plants
ARAMCO	— Arabia/America Oil Company (joint venture of Saudi Government, Standard Oil, Texaco, Exxon and Mobil)	GRPI	— Resource Processing Industries Branch (DRIE)
BOSS	— Business Opportunities Sourcing System (DRIE)	GSEI	— Service Industries Branch (DRIE)
CIGI	— Canadian International Grains Institute	GSFMO	— Saudi Arabian Grain Silos and Flour Mills Organization
CWB	— Canada Wheat Board	JEC	— Canada/Saudi Arabia Joint Economic Commission
DEA	— Department of External Affairs	MI&E	— Saudi Ministry of Industry and Electricity
DOC	— Department of Communications	MP&MR	— Saudi Ministry of Petroleum and Mineral Resources
DOT	— Department of Transport	OPEC	— Organization of Petroleum Exporting Countries
DRIE	— Department of Regional Industrial Expansion	Petroline	— Saudi Gas Liquids Line
EEC	— European Economic Community	Petromin	— Saudi General Petroleum and Minerals Organization
EELA	— <i>Electronics</i> and Aerospace Branch (DRIE)	PTT	— Saudi Ministry of Post, Telephone and Telegraph
EFGP	— Food and Consumer Products Industries Branch (DRIE)	RCJY	— Royal Commission on Jubail and Yanbu
FAMR	— Automotive, Marine and Rail Branch (DRIE)	SABIC	— Saudi Basic Industries Corporation
FELA	— <i>Electronics and Aerospace</i> Branch (DRIE)	SCECO	— Saudi Consolidated Electricity Company
GATT	— General Agreement on Tariffs and Trade	SIDF	— Saudi Industrial Development Fund
GCC	— Gulf Co-operation Council	S.R.	— Saudi Riyal (monetary unit)
GDP	— Gross Domestic Product	TGD	— The Grains Marketing Bureau (External Affairs)
GMEE	— Machinery and Electrical Equipment Branch (DRIE)		
GMT	— Middle East Trade Development Division (DEA)		



























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